



Daily Report

China

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Daily Report

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General

Deng Xiaoping Cited on World Politics
OW0604104089 Beijing BEIJING REVIEW
in English No 14, 3-9 Apr 89 pp 16 - 19

[Article by Wang Chunyan and Wu Ximing, military theory researchers from the Nanjing Military Area: "Deng Xiaoping on Peace and War"]

[Text] Is the world heading towards peace or war? Throughout history, people have discussed, debated and argued this question. Among them is Chinese leader Deng Xiaoping, who over the last decade has continually observed and analysed developments in international politics. After examining his speeches and writings on the subject, we believe his thoughts on the subject can be summarized into five principal themes.

1. Peace & Development

In the later 19th and early 20th centuries, capitalism evolved into imperialism. According to Lenin, imperialism was both the highest stage of capitalism and marked the eve of proletarian revolution. Stalin subsequently labelled this era "the epoch of imperialism and proletarian revolution." He declared that the three main contradictions of the time lay between the proletariat and bourgeoisie in the imperialist countries, between the imperialist countries and their colonies and dependencies, and between the imperialist countries themselves.

During the 1960's, the Communist Party of China modified Stalin's definitions and added a fourth. The contradictions now lay, it was stated, between the socialist camp and the imperialist camp, between the proletariat and bourgeoisie within the capitalist countries, between the oppressed nations and imperialism, and between the imperialist countries and monopoly capital groups.

Although these contradictions have not been fundamentally resolved, since the 1960's, and particularly in the 1980's, they have undergone a series of major transformations. First, as the socialist camp is no longer a single, unified body, the dichotomous contradiction between imperialism and socialism has been replaced with contradictions between individual socialist and capitalist countries. Second, the rapid development of internationalized production has increased economic cooperation between the imperialist countries, resulting in the replacement of military competition with economic coalition and competition. Third, the expansion of production within the imperialist countries has greatly raised the standard of living of their working people. Combined with the method of economic exploitation of Third World countries to develop their own economies, this has somewhat eased the bourgeoisie-proletariat contradiction. Finally, with independence for the colonies, the military contradiction between them and the imperialists has been replaced with a new set of contradictions in the problems of their economic development.

This series of transformations has led to a new pattern of global economic and political relations:

East-East, between the socialist countries;

West-West, between the monopoly capitalist countries;

East-South, between the socialist countries and the capitalist national-democratic countries;

East-West, between the socialist countries and the monopoly capitalist countries;

North-South, between the developed countries and the developing countries;

South-South, between the developing countries.

Among this series of relations, which are the most important in the world today? For Deng Xiaoping, they are the East-West and North-South pairings. Between them, they embrace the major issues of global peace and global development.

2. World War Can Be Avoided

Since the start of the age of imperialism, avoiding world war has been one of the major concerns of people around the world. Using the law of "the uneven development of imperialism," Lenin concluded that world war was unavoidable. His thesis was proved right in 1914 and 1939.

Shortly after the conclusion of World War II, while maintaining that Lenin's belief still held true, Stalin claimed a third world war could be postponed. During the early 1950's, many people thought a new world war would soon break out. But Mao Zedong thought differently: "A new world war can be averted, provided the Communist Parties of the world continue to unite all possible forces for peace and democracy and help their further development." ("Fight for a Fundamental Turn for the Better in the Nation's Financial and Economic Situation," Selected Works of Mao Zedong, Vol. V) Unfortunately, Mao did not stay true to his own ideas, and during the 1960's he made ever more frequent and serious predictions about the imminence of another world war.

Since 1978, Deng Xiaoping has analysed the likelihood of world war afresh. He has argued that it can be postponed and, with appropriate steps, it can possibly be avoided altogether: "As regards the international situation, my view is that it is possible to secure a comparatively long period of peace, and war is avoidable." His belief rests on three considerations. First, as both the Soviet Union and the United States would suffer devastating losses in a war between them, neither dares risk starting it. Second, both the superpowers have suffered setbacks to their policies of global strategic development,

thus they are unwilling to extend themselves further. And third, the world's forces for peace now surpass the forces for war and will continue to grow increasingly stronger.

3. Forces Against World War

What are the major forces for peace? Throughout history, people have answered this question in different ways. Lenin, for example, stressed the role of the working class. In 1917, he said universal peace could only be secured through worldwide proletarian revolution. At the time, this argument appeared reasonable. With World War I in progress, many people thought peace could only be won by relying on imperialist groups. This hope, of course, was dashed. To end the world war between the imperialist powers, it was necessary to rely on the world proletariat.

After World War II, international political relations underwent a major reformulation. The Truman Doctrine and Marshall Plan caused an irreparable rupture between the Soviet Union and the United States, leaving Europe split down the middle and the whole world divided into two camps. Because of this, Stalin believed another war could only be prevented by relying on the unity and strength of the socialist camp.

Both Lenin and Stalin noted the important role the people of all countries could play in preventing world war. But aside from accepting this as a matter of principle, neither of them spent time concretely analysing how it could be realized in practice.

Now, international relations can no longer be divided into a straightforward imperialist-socialist confrontation. With the passage of time, the two sides have fragmented and various new forces have come into play. Apart from the split in the socialist camp, the imperialist camp has also disintegrated and the relatively newly founded nations of Asia, Africa, and Latin America have all grown rapidly. As a result, relations around the world have become a complex web of interwoven layers and forces. As Mao Zedong once noted, the globe has become "three worlds."

Looking at the world in the 1980's, Deng Xiaoping has declared: "Changes have taken place in the international situation. The forces for peace and preventing war have developed considerably. As long as the peoples of the entire world make a concerted effort, war can be avoided and peace maintained." Deng, however, has not been content merely to utter statements of principle and theory. His concrete and scientific analysis has played a role in developing the forces for peace, specifying how in today's conditions world war can be prevented.

According to Deng, there are three forces for peace in the world. The first, and strongest, is the Third World. The second consists of Japan, Eastern and Western Europe (of whom he says: "So long as neither Eastern nor

Western Europe ties itself to the war chariots of others, then war will not break out."). And the third is the people of the Soviet Union and the United States, who he believes can play a special role in preventing war and maintaining peace.

Deng's analysis has broken with traditional theories based on ideology and the social system. Looking at the issue in terms of national interests, mutual relations and development prospects, he argues that it is not just the world's proletariat and socialist countries who constitute a force for peace—so do the people and governments of capitalist states. The leading role, however, remains with the Third World.

4. Approaches to Peace

How can world war be prevented and peace maintained? For years, Marxists have lined themselves up on the side of revolution and war. Lenin said more than once that the proletariat should "throw off the capitalist yoke in a revolutionary way and abolish the rule of the bourgeoisie to win socialism and a durable peace." (For Bread and Peace, December 14, 1917) He regarded revolution as the only way to free working people from the catastrophe of war.

Stalin summed up Lenin's thought in the formula: "First evolution, then peace!" (The Logic of Facts, October 29, 1918) And Mao advocated eradicating war with war or deterring it through revolution.

But the proposals of Lenin, Stalin and Mao on preventing war were all put forward in a different era. It was a time when imperialists forced war upon the proletariat, oppressed nations and oppressed peoples of the world. These people had no alternatives but to fight back, through rising in rebellion and destroying counterrevolutionary war with revolutionary struggle. In the relatively peaceful environment of today, the ideas of Lenin, Stalin and Mao are less relevant. But even with a calmer globe, peace cannot be taken for granted. So what is the way forward?

Bringing his experience to bear, Deng has his own suggestion: "There are many disputes in the world, and we must find ways to solve them. Over the years, I have considered how these disputes can be solved by using peaceful means instead of waging war." At the core of his ideas lies one belief: "The Five Principles of Peaceful Coexistence provide the best means for handling relations between nations. All other ways, such as thinking in terms of 'the socialist community,' 'bloc politics' or 'spheres of influence,' lead to conflict and sharpen international tensions. These Five Principles can be used to defuse explosive issues in international disputes."

In accordance with his faith in the Five Principles, Deng has put forward several new ideas to help resolve international problems, promote global stability and maintain world peace:

—"One country, two systems." As well as its application in the reunification of China, Deng maintains this concept can be used to resolve and defuse international disputes.

—"Joint development." Proceeding from the reality, Deng suggests, countries can start first with joint development in settling territorial disputes. In tackling economic issues of common interest, it might be easier to find a mutually acceptable solution to such disputes.

—"Third World cooperation." Strengthening cooperative links between Third World countries will promote North-South dialogue and alleviate North-South contradictions on the one hand, while fundamentally strengthening the sector of the world community which Deng believes is the major force for peace.

Deng's emphasis on non-violence clearly distinguishes him from Lenin, although their eventual aim of peace remains the same. Lenin, although he also made use of a non-violent approach when the situation warranted it, did not advocate it as a guiding principle for the international proletariat. The reason for the difference between the views of these two great revolutionaries lies in the different ages in which they lived.

5. Roots of Modern War

Marxists have always maintained the fundamental cause of war lies in the existence of private ownership and social classes. At different times, however, this principle has been interpreted in different ways. Lenin, for example, considered imperialism the source of modern war. But, since World War II, various different kinds of war have manifested themselves around the globe. True, there have been wars of imperialism. But there have also been wars initiated by and between socialist countries, and wars between Third World countries. These cannot be simply explained as products of imperialism.

Searching for an explanation of these wars, Deng has proposed the notion of "hegemony being the source of war." His analysis is a development and refinement of Lenin's thought. Lenin recognized that the imperialist scramble for colonies was a major source of war: "World domination" is, to put it briefly, the substance of imperialist policy, of which imperialist war is the continuation." (A Caricature of Marxism and Imperialist Economism, August-October 1916) This thesis is confirmed by history. But subsequent developments have revealed that the pursuit of "world domination" is not solely restricted to imperialists. Some socialist countries have also looked towards the same goal. Although the motives of socialist and imperialist expansion may differ, the substance of their actions has been identical. To explain why socialist countries should, in certain conditions, act like the imperialist states, Deng concluded that hegemony was the major cause of modern war.

Deng's thesis reflects the fact that, although peace and development are the dominant force in the world today, the threat of war still remains. The world is not yet a tranquil place, and, as ever, nations must continually be on the alert. In Deng's mind this means: "To work for peace, one must oppose hegemonism."

Envoy to UN on Resolving International Conflicts

OW0604134689 Beijing International Service
in Mandarin 0900 GMT 29 Mar 89

["Weekly Roundup of Events in UN" program]

[Text] This week the special committee for discussing the UN Charter held a general debate at the UN headquarters in New York. In addition to discussing the role of the UN Charter in preserving international peace and security, the special committee also discussed ways to reinforce the work and capability of UN organizations in this respect.

At the meeting, Mr Yu Mengjia, ambassador to the PRC Mission to the United Nations, pointed out: This meeting will give priority to the examination of various issues concerning the preservation of international peace and security. Therefore, the special committee will examine suggestions regarding UN activities in fact-finding missions.

Ambassador Yu said: [begin recording] We believe that fact-finding can become an important part of UN activities in the preservation of international peace and security. Fact-finding is one of the practical approaches for resolving international conflicts and is a long-established practice in international laws. International conflicts often arise from differences and disputes over the facts involved. Therefore, getting to the truth of the matter and differentiating the right from the wrong are important for the prevention and elimination of conflicts and situations that may threaten international peace and security, as well as for the reconciliation of international conflicts. Without a doubt, the United Nations has a role to play in this respect. Furthermore, past experience from fact-finding missions carried out by the United Nations indicates that UN activities in this respect can win the support of the international community and achieve positive results only through the strict observation of relevant provisions in the charter and full respect of the sovereignty of countries concerned. The special committee should, according to the relevant provisions of the charter, earnestly study and review the experience and activities of the United Nations with regard to fact-finding missions and should also take the development of the international situation into consideration in order to put forward feasible suggestions. This will help to strengthen and improve the functions and activities of the United Nations in fact-finding and will enable it to better serve and preserve international peace and security. [end recording]

Finally, Ambassador Yu said: The special committee will also examine the issues of peaceful settlement of international conflicts and the rationalization of UN cities [as heard].

IMF Will Emphasize Fiscal Management Assistance
OW0704075689 Beijing XINHUA in English
0054 GMT 7 Apr 89

[IMF Emphasizes Technical Assistance to China's Modernization (by Wei Guozhang and Zhao Zijian)—XINHUA headline]

[Text] Washington, April 6 (XINHUA)—The International Monetary Fund (IMF) will emphasize providing China with expertise of monetary and fiscal management in the years to come while drawing practical experience from China's experiment on economic reform.

On the eve of his coming 10-day visit to China, the first ever taken by the head of this multi-lateral financial organization, IMF Managing Director M. Camdessus told XINHUA that the assistance in central banking, economic statistics and financial personnel training that the IMF has provided for China during the past few years "is a very important part" of IMF's relations with China and one which the organization "aims to deepen."

Currently, he said, the organization will concentrate on strengthening China's ability to formulate and implement monetary and fiscal policies under which "prices and markets" may play an important role. He said he will discuss with Chinese authorities the priorities of IMF assistance during his trip, which starts next week.

The IMF boasts the largest concentration of financial specialists in any institution in the world and over the years, through annual consultations with Chinese authorities, policy issue studies and technical assistance programs, it has shared its experiences with China in monetary, fiscal and exchange rate management and in foreign borrowing policies, thus contributing to the improvement of macroeconomic management by the Chinese Government in its efforts to integrate China with the world economy.

At the same time, according to Mr. Camdessus, the IMF has also benefited from China's participation in all these efforts. "China has made important contribution to the work of the fund through its representation in the fund's Executive Board, providing useful insights on the major issues facing the world economy," the managing director said.

He added: "China has given the fund valuable practical experience on issues relating to reform of centrally planned economies—experience which the fund can apply to other countries undertaking reforms."

He said the IMF will continue to increase the number of Chinese nationals on the fund's staff, currently few due to historical reasons, as well as to provide practical training through special staff appointment programs, in order to promote what he called "mutual long-term benefit."

"Given its vast productive potential, China is likely to have an increasing impact on the world economy as its economy develops, and its role and influence in international institutions, such as the fund, can be expected to expand," he said.

China has borrowed twice from the IMF since the return of its membership at the beginning of this decade. In recent years, China's international reserve position has continued to improve and therefore has become a net contributor to the revolving fund of the organization.

World Bank Urges Voluntary Debt Reduction
OW0604130189 Beijing XINHUA in English
1127 GMT 5 Apr 89

[Text] Washington, April 4 (XINHUA)—The development committee of the World Bank ended its spring meeting today with a call for "voluntary, market-based debt reduction transactions."

The 22-member committee agreed that the World Bank and the International Monetary Fund (IMF) "should set aside a portion of members' policy-based loans to support debt-reduction operations."

In a communique, the committee urged the two major international financial organizations to examine the feasibility of providing limited interest support to transactions involving significant cuts in debts or debt-service reductions.

The committee noted that structural adjustment programs adopted by developing countries generally "have helped to make their economies more efficient and to lay the foundation for the resumption of growth, which would lead to an improvement in living standards."

It was also reported that the IMF and the World Bank have established a joint task force to recommend ways to reduce the debt burdens of Third World nations.

During its one-day meeting, the committee discussed structural adjustments, development prospects in heavily indebted nations, progress on initiatives intended to benefit sub-Saharan countries, world trade and the transfer of resources to developing countries.

It called on creditor countries to examine their tax, accounting and regulatory measures to reduce unnecessary impediments to voluntary debt reductions and cuts in debt-service costs.

Although proposals by France, Japan and the United States for solving the debt problem were welcomed, the committee stressed that official creditors "should not substitute for private lenders."

It said that the World Bank and the IMF should play "the central role" in contributing to the adjustment process "by policy advice and financial support for sound reform programs."

World Bank President Barber Conable and IMF Managing Director Michel Camdessus attended the meeting of the World Bank committee, which will meet again in September.

Tax Rules on Foreign Business Altered
HK0604145189 Beijing CEI Database in English
5 Apr 89

[Text] Beijing (CEI)—Starting from April 1, foreign invested enterprises that deal with wholesales in China are required to act as an agent to pay business taxes for retail sellers by adding the amounts to their wholesale prices, the State Administration of Taxation released this recently. The administration said the move is to regulate tax burdens on enterprises. It noted that this tax collecting method has been applied to Chinese wholesalers since October, 1983. With the development of China's open policy, the joint ventures have become another big wholesaler. According to the regulation, the joint-ventures doing this will be granted commissions, but those which fail to pay business taxes or pay less than required shall be fined.

United States & Canada

U.S. Agrees To Export Computer Technology
HK0704092789 Beijing CEI Database in English
7 Apr 89

[Text] Beijing (CEI)—The Apollo Computer Ltd. was authorized recently by the American Government to export its 32-bit computer production technology to China, according to a representative of the company's Beijing office.

It is the first time that the United States exported high computer technology to China.

The representative said that his company and its Chinese cooperator are now waiting for the approval by the COCOM [Coordinating Committee for Multilateral Export Controls] so as to start their cooperative production of Apollo work stations.

According to their agreement, such work stations will be produced in two computer factories in Shanghai City and Fujian Province.

Joint Chemical Company Set Up in Ningbo City
HK0704092389 Beijing CEI Database in English
7 Apr 89

[Text] Hangzhou (CEI)—A Sino-American joint venture—the Zhejiang Pacific Chemistry Co., Ltd. was set up on April 4 in Ningbo City, Zhejiang Province.

The company involves a total investment of more than 50 million U.S. dollars shared equally by the two parties. The company will have an annual production of 40,000 tons of epoxy propane and polyhydric alcohol and 5,000 tons of propylene.

Joint Youth Seminar Discovers Similar Problems
OW0704043389 Beijing XINHUA in English
1608 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—More than 20 Chinese and American experts discovered at a seminar on youth here today that the young people of both countries are facing the same problems of economic and social pressures and lack of confidence.

Wayne W. Meisel, director of the Campus Outreach Opportunity League of Minnesota University, said that under economic pressure American young people have to work hard and most students have to take part-time work in order to support themselves.

"Young people today," he said, "are stereotyped as apathetic, self-centered, and concerned only about making money and getting ahead."

In these circumstances, he said, young people lack confidence, which was not the case in the 1960s when American youth thought itself capable of doing anything.

In spite of the different conditions in China, Li Xuequan, director of the Higher Education Section of the All-China Youth Federation, said Chinese youth is also facing economic pressure and is worried about unfair allocation, inflation and corruption.

Trading has appeared in many Chinese universities as students with something to sell try to make money on campus.

Moreover, Li said, college students have begun to doubt whether what they are learning in class will help them to find work, as many businesses totally ignore students of pure theory.

So people describe students as "a lost generation tired of study", regardless of the causes in society that are shaking their confidence.

In order to resolve these problems, the Chinese and American experts agreed that youth organizations should call on the whole of society to create favorable conditions for the healthy growth of young people, as

well as to encourage them to meet the urgent needs of society and to challenge the assumption that young people are apathetic and uncaring.

Meisel told XINHUA that since last year he has sent letters of "challenge to youth" to many young people, urging them to commit themselves to addressing such needs as feeding the hungry, housing the homeless, educating the illiterate, consoling the lonely and sick, serving the elderly, and preserving the environment.

The letter says: "Through service, we touch the lives of others and enrich our own."

Northeast Asia

Upcoming Li Peng Visit to Japan Previewed

HK0704010789 Hong Kong SOUTH CHINA
MORNING POST in English 7 Apr 89 p 10

[By David Chen]

[Text] Prime Minister Li Peng flies to Tokyo on Wednesday with a very different mission from any undertaken by previous Chinese leaders.

In addition to encouraging Japan to invest more on the mainland and increase the transfer of high technology, Mr Li is expected to persuade Tokyo to open up its market to Chinese goods, according to Chinese sources.

The trip returns a visit to China by the Japanese Prime Minister Noboru Takeshita, in August last year when agreement was reached for a Japanese credit loan of US\$6 billion (HK\$46.8 billion) to cover the 1990 to 1995 period.

It will be Mr Li's second trip abroad since he assumed the premiership 18 months ago. He went to Australia late last year for a short visit, returning home with several economic cooperation agreements.

While most of his talks with Mr Takeshita will focus on political issues as they review regional issues and discuss bilateral problems, Mr Li will ask Mr Takeshita to allow more Chinese imports.

Japan's China trade is second only to Hong Kong, reaching about US\$15.7 billion (HK\$122.46 billion) last year and predicted to exceed \$20 billion (HK\$156 billion) this year. However, two-way trade has always been in Japan's favour, Tokyo recording a surplus of US\$25 billion (HK\$195 billion) between 1972 and 1987.

To correct the deficit, Chinese economists have suggested the leadership persuade Japan to open up its market to Chinese produce, sources said.

Chinese authorities are, however, aware of the difficulties. Tokyo is traditionally reluctant to allow foreign manufactures into the domestic market.

Nevertheless, Mr Li does not go to Japan empty-handed.

Negotiations for the lease of a deep water harbour, the Yangpu Harbour in the northwest of Hainan province, are close to completion. The lease, which is to run for 70 years for a low price, has been condemned by many Chinese scholars and intellectuals as a new form of "foreign concessions" at a time when China is in the process of recovering its sovereignty over such territories as Hong Kong and Macao.

However, the SOUTH CHINA MORNING POST has learnt that in spite of the protests, the deal is continuing and could be completed within two months.

Apart from economic cooperation, the two leaders will discuss regional developments, including Vietnam's projected withdrawal of its troops from Kampuchea. The leaders are expected to exchange views on how a new political and economic entity might emerge in Southeast Asia.

Mr Li will also be received by Emperor Akihito during his five-day stay in Japan.

The emperor is expected to express his regrets over the "unfortunate past" relations shared between the two countries.

This will be the first time an emperor has expressed his regrets concerning the past.

Japan 'Prepared' for Li Visit

OW0704021289 Beijing XINHUA in English
1524 GMT 6 Apr 89

[Text] Tokyo, April 6 (XINHUA)—Japanese Prime Minister Noboru Takeshita said today that Japan has fully prepared for Chinese Premier Li Peng's visit and he wished Li's visit every success.

Takeshita made the remarks when meeting with Chinese Ambassador to Japan Yang Zhenya at the prime minister's residence. The prime minister recalled his successful visit to China last August, saying that the hospitality of the Chinese people and the Chinese Government left him with a good impression.

Takeshita said he believes that Li's forthcoming visit, which begins April 12, will encourage friendly cooperation, especially Japan's investment in China and bilateral economic cooperation, to further develop on the basis of the Japan-China Friendship Treaty and the Japan-China joint statement.

"I think this visit will exert a positive influence upon the peace of Asia and the world at large," the prime minister said.

Southeast Asia & Pacific

Additional Reportage on SRV Troop Withdrawal

SRV Discusses Further

OW0704014289 Beijing XINHUA in English
0907 GMT 6 Apr 89

[Text] Hanoi, April 5 (XINHUA)—Vietnam said today that Hanoi and Phnom Penh are ready to discuss with any other country the form of international control and supervision of its troop withdrawal from Kampuchea if they do not accept its proposed international commission.

Vietnamese Foreign Minister Nguyen Co Thach told a press conference here this afternoon that all Vietnamese troops will be withdrawn from Kampuchea by the end of this September.

However, the foreign minister declined to answer the question of when the withdrawal will start.

The withdrawal will be carried out under international control and supervision, Thach said. He said an international commission made up of countries including India, Poland and Canada, has been invited to do the job on the basis of respect for the independence and sovereignty of Kampuchea.

He said Hanoi and Phnom Penh are prepared to discuss with other countries the form of the international control and supervision of the withdrawal if they disagree on the resumption of the activities of the International Commission of Control and Supervision which was set up in 1954.

Thach said the proposed commission should also control and supervise a halt to what he alleged is "foreign interference and military aid" to the fighting Kampuchean parties.

The total withdrawal of Vietnamese forces from Kampuchea could be understood in the framework of commitments undertaken by countries concerned to end all foreign military aid to the combatant Kampuchean parties if Hanoi withdraws all of its troops, he said.

He said the would-be Vietnamese pullout could also be understood in the framework of the agreements reached at the first Jakarta Informal Meeting (JIM-1) July 1988 and the second Jakarta Informal Meeting (JIM-2) February 1989.

Asked about the position of the Vietnamese Government on the formation of a four-party coalition government headed by Samdech Norodom Sihanouk in Kampuchea, the Vietnamese foreign minister refused to answer directly, saying that "there was no conclusion at the JIM-2 on the establishment of a quadripartite coalition government of Kampuchea in the future."

On the role of Sihanouk, Thach said that Sihanouk can and ought to play "a worthy role" in the settlement of the Kampuchean issue.

Li Peng Comments on Withdrawal

HK0704112289 Beijing ZHONGGUO XINWEN SHE
in Chinese 0952 GMT 7 Apr 89

[Report by Li Wei (2621 0251): "Li Peng Says China Hopes Vietnam Will Truly Fulfill Its Declared Promise of Troop Withdrawal and That There Should Be No Reverses"]

[Text] Beijing, 7 Apr (ZHONGGUO XINWEN SHE)—Chinese Premier Li Peng today openly commented on the Vietnamese Government's 5 April announcement on its troop withdrawal from Cambodia by the end of September. In his talks with Togolese President Eyadema this morning Li Peng stressed that China hopes the Vietnamese authorities will keep their word, truly fulfill their declared promise, and that there will be no reverses. They should not require many additional conditions, place any more obstacles, or return to Cambodia under any pretext.

He said that the troop withdrawal must be carried out under effective international supervision. China supports Prince Sihanouk's stand that the formation of the international supervisory group should not be designated by Vietnam. If Vietnam really withdraws all its troops from Cambodia, China will, together with other relevant countries, stop its military aid to various factions in Cambodia.

Li Peng also talked about the Namibian issue. He said China welcomes the beginning of the independence process in Namibia and hopes that the various parties concerned, especially the South African authorities, will earnestly carry out their signed agreements to ensure a smooth progress of the independence process in Namibia.

On the question of how to correctly handle the relationship between political and economic affairs in developing countries, Li Peng said that political stability and unity is an inevitable prerequisite for economic development and a steady economic development is the solid foundation for political stability.

Li Peng said that through its efforts during the next 2 or 3 years China will achieve some substantial results in improving the economic environment and rectifying the economic order.

He also discussed the question of promoting economic, trade, and technological cooperation between the two countries with President Eyadema.

Wu Xueqian Views Withdrawal

OW0604151689 Beijing XINHUA in English
1451 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—Chinese Vice-Premier Wu Xueqian today met a delegation from the House of Representatives of Thailand led by its speaker, Pancha Kesonthong.

Commenting on the Vietnamese Government's statement yesterday that it will withdraw its troops from Kampuchea by the end of September, Wu said: "More important than talk is Vietnam's action."

He pointed out that the Kampuchean problem is the result of Vietnam's aggression, and added that the settlement of the issue hinges on the complete, genuine and early withdrawal of Vietnamese troops from Kampuchea.

Wu spoke highly of the contribution of Thailand in the search for a just, reasonable and early settlement of the Kampuchean issue.

He said Thailand and other ASEAN countries have played an important role in seeking a political settlement for Kampuchea, and he hoped that the southeast Asian region would have a long period of peace and stability.

Pancha agreed with Wu's words, saying that the Kampuchean issue has influenced the development of the northeast region of Thailand and the life of the people there.

Besides, Pancha said, in Thailand are 300,000 Vietnamese refugees who need Thailand to provide them with food and clothes.

Pancha said the Kampuchean issue will be easy to solve if during the Sino-Soviet summit meeting in mid-May the Soviet Union agrees not to support Vietnam's aggression in Kampuchea.

He also hopes that the Sino-Soviet summit be successful.

Wu said the Kampuchean issue will be one of the subjects discussed at the summit. He hopes that the Soviet Union will make greater efforts for the political settlement of the problem.

TASS Cited on Withdrawal

OW0704082089 Beijing XINHUA in English
0704 GMT 7 Apr 89

[Text] Moscow, April 6 (XINHUA)—The official Soviet news agency TASS called Vietnam's decision to withdraw its troops from Kampuchea by the end of September a "brave and correct step."

The first response of the Soviet Union to the joint declaration by the Vietnamese and Lao Governments and the Phnom Penh regime said that the declaration on Wednesday had been made after analysis of Kampuchea's domestic situation and considering the general trend in the world.

TASS noted that Kampuchea has been one of the most discussed problems in the international community for the past few years, and that its solution has been regarded as a prerequisite for normalizing Vietnam's relations with China, the United States, Japan and the Association of Southeast Asian Nations.

TASS noted, however, that the Phnom Penh regime has the right to ask Vietnamese troops to return to the country if outside powers continue to provide assistance to the resistance forces in Kampuchea.

U.S. Conditionally Welcomes

OW0604185089 Beijing XINHUA in English
0635 GMT 6 Apr 89

[Text] Washington, April 5 (XINHUA)—The U.S. State Department gave a conditional welcome today to Vietnam's plan to withdraw all its troops from Kampuchea by the end of September.

Vietnam today announced that it will end a 10-year occupation of Kampuchea by withdrawing its troops from the country by September 30.

Asked for comment on Vietnam's announcement, Richard Boucher, a spokesman for the State Department, said "Although we have not yet seen complete details of the Vietnamese statement, we do believe that if the withdrawal is carried out, it would be a positive development."

Boucher said that a total and verified withdrawal from Kampuchea would contribute to the process of returning peace and stability to the war-torn nation.

Canada Considers Peacekeeping Role

OW0704045589 Beijing XINHUA in English
0847 GMT 6 Apr 89

[Text] Ottawa, April 5 (XINHUA)—Canada is considering a request from Vietnam to participate in a peacekeeping body in Kampuchea, External Affairs Minister Joe Clark said today.

Other nations invited to send forces to supervise the Vietnam withdrawal, now set for September, are India and Poland.

Several key conditions would have to be met, Clark said. They include the full support of all parties to the dispute, a clear mandate and a limited duration of involvement, manageable supply lines, and most important, evidence that the peacekeeping force would be part of an effective and comprehensive solution to the Kampuchean problem.

Clark said Canada would consult with the United Nations and other participants, as well as the parties and countries directly concerned in the region, before giving a "coordinated and constructive" response to the Vietnamese initiative.

Vietnam, which now says it intends to withdraw fully from Kampuchea by the end of September, invaded the country in December 1978. It now has an estimated 70,000 soldiers there.

Thailand Cautious About Pullout

OW0704094589 Beijing XINHUA in English
0829 GMT 7 Apr 89

[Text] Bangkok, April 7 (XINHUA)—A top Thai military officer said here Thursday that whether Vietnam will live up to its pledge to pull out its troops from Kampuchea remains to be seen.

Hanoi announced on Wednesday that it would withdraw its troops from Kampuchea by the end of September this year but link the pullout with the cessation of assistance to the Khmer resistance groups.

Gen Chawalit Yongchaiyut, acting supreme commander of the Royal Thai Armed Forces, said, "In principle, I welcome the announcement, but practice is something else."

The complete pullout of Vietnamese troops has been a matter of principle for which Thailand has fought for 10 years, he said.

On Wednesday, Thai Prime Minister Chatchai Chunhawan and Foreign Minister Sitthi Sawetsila both greeted Vietnam's pullout pledge with a caution welcome.

Chatchai said that the world wants to see peace in Kampuchea and he did not think Vietnam will go back on its words because it made the announcement to the world over.

Sitthi said that details of the mechanism to verify the troop withdrawal need to be further discussed.

Armed SRV Personnel Arrested in Guangxi

HK0704103289 Beijing ZHONGGUO XINWEN SHE
in Chinese 0840 GMT 7 Apr 89

[Report: "Three Armed Vietnamese Public Security Personnel Who Entered China Illegally Were Arrested in Guangxi"—ZHONGGUO XINWEN SHE headline]

[Text] Nanning, 7 Apr (ZHONGGUO XINWEN SHE)—Our reporter learned from the Guangxi Public Security Department today that the Tongzhong Frontier Police Station in Fangcheng County, Guangxi Province, arrested three armed Vietnamese public security personnel who had entered the country illegally.

In the small hours of 26 March, three armed Vietnamese public security personnel broke into Xu Wendao's house in Kunyi village, Tongzhong Township, Fangcheng County, Guangxi. At 0050 the Tongzhong Frontier Police Station received a telephone call about the intrusion and immediately sent police officers to surround the house and arrest them. With the assistance of the local people, the officers arrested the three armed Vietnamese public security personnel and captured a pistol loaded with five rounds and two submachine guns with 30 rounds of ammunition.

Yang Shangkun Meets Thai Representatives

HK0704105689 Beijing ZHONGGUO XINWEN SHE
in Chinese 0841 GMT 7 Apr 89

[Report by Li Wei (2621 0251): "Yang Shangkun Says Living Frugally Means Trying As Much As Possible To Economize Rather than Living a Poor Life"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 7 Apr (ZHONGGUO XINWEN SHE)—The recent session of the National People's Congress [NPC] urged the people to live frugally during the next few years. To live frugally means to try as much as possible to economize and to exercise self-restraint with regard to premature consumption. It does not mean encouraging people to lead poor lives because no country can really be developed by tolerating poverty, said President Yang Shangkun this morning.

Yang Shangkun talked about China's domestic problems throughout his meeting with a delegation from the Thai House of Representatives which lasted 1 hour. Among other problems that China faces, like the issues concerning education, inflation, and commodity prices, Yang focused his attention on grain production and population.

Yang Shangkun said: China must devote great efforts to agriculture since the growth in agricultural output has not been high enough and has declined slightly. This is related to the serious natural disasters in China last year but what is more important is that the policy to raise the enthusiasm of the peasants for farming has yet to be implemented to the letter. Should grain output fail to increase no progress can be expected in industry and other sectors. "To boost grain production is, of course, a very difficult task," he said.

Yang Shangkun believed that a drastic population growth has been a very big problem for China. If the population grows too rapidly, agriculture will by no means be able to keep up with the growing demand. He revealed that China's population will reach 1.1 billion by 14 April. The State Council has designated that day as "1.1 Billion Population Day," when a nationwide propaganda campaign will be launched to push for family planning and to remind all the Chinese people that the country will not be able to feed an overly large population.

Yang Shangkun said Li Peng's report to the NPC session has been endorsed by the public. While positively evaluating the achievements the report has also clearly and truly enumerated all the existing problems, including some faults regarding the policy-making process. The NPC session has heightened the people's confidence in overcoming the difficulties.

In conclusion, Yang said: The general political and economic situation is pretty good in China but we do have to deal with quite a few problems. We will be able to surmount these difficulties if we can bring all the people's initiative into play. China is confident that this goal can be fulfilled. Of course, this will depend on how well we are going to perform. China is expecting to overcome all these problems within 2 or 3 years.

During the meeting, Speaker of the Thai House of Representatives Pancha expressed his congratulations on the success of the Chinese NPC session. He also told his host that he had noticed the considerable progress that China had made in developing political democracy.

Sub-Saharan Africa

Togolese President, Party Pay Official Visit

OW0504191289 Beijing XINHUA in English
1414 GMT 5 Apr 89

[Text] Lome, April 5 (XINHUA)—Togolese President Gnassingbe Eyadema left here Wednesday on an official visit to China from April 6 to 9.

His entourage includes Togolese People's Assembly Political Bureau member Barry-Moussa Barque, Foreign Affairs Minister Yaovi Adodo, Planning and Mines Minister Yao Kunale Eklo [name and title as received], and Industry and State Companies Minister Koffi Djondo.

During his visit, Eyadema and Chinese leaders will discuss political, economic and cultural cooperation and current international affairs.

Eyadema, 53, served with the French Army in 1953-61 in Indo-China, Algeria, Benin and Niger and returned to Togo in 1962. He led a coup by the Army in 1967 and became president of Togo.

As head of state of a small agricultural country in west Africa, Eyadema has given priority to agriculture in the last decade, launching a "green revolution."

The Togolese Government has taken a series of steps to stimulate agricultural production, including granting low-interest loans to farmers, exempting them from civic taxes and raising the price of agricultural products.

In recent years, despite financial difficulties, the country's agriculture budget has accounted for about 30 percent of total government expenditure.

Considering economic independence a precondition to political independence, President Eyadema and his government devoted great efforts to the industrialization of the country during the 1970s.

In 1983, the Togolese Government took steps to stabilize industry, closing businesses losing money and privatizing 11 by selling them to foreign investors.

Most of the 11 privatized businesses have begun showing a profit. The country's manufacturing industry grew 7 percent in 1988, contributing significantly to the recovery of the Togolese economy.

After six years of austerity and financial stabilization, the Togolese economy is looking up and the country has achieved self-sufficiency in food.

The country's gross national product reached 398 billion CFA francs (over 1.3 billion U.S. dollars) in 1988, up four percent from the previous year. According to the World Bank, only four African countries could claim such positive growth.

Arrives in Beijing

OW0604082989 Beijing XINHUA in English
0719 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—General Gnassingbe Eyadema, president and founder of the Rally of the Togolese People and president of the Republic of Togo, and his wife arrived here this morning to start an official visit to China at the invitation of Chinese President Yang Shangkun.

This is General Eyadema's third visit to China.

Yang Shangkun will officiate a ceremony to welcome the distinguished Togolese guests later this afternoon and host a banquet in their honor this evening.

Yang Shangkun Fetes Eyadema

OW0704030189 Beijing XINHUA in English
1436 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—China hopes all parties concerned will implement the agreements reached in the UN Security Council's Resolution 435 on the Namibian question, Chinese President Yang Shangkun said here today.

Yang made the statement at a banquet he gave in honor of General Gnassingbe Eyadema, president and founder of the Rally of the Togolese People and President of the Republic of Togo, and his wife.

The couple arrived this morning to start a four-day official visit to China at Yang's invitation. It is Eyadema's third visit to China.

Yang said that in the past year the situation in southern Africa has shifted from military confrontation to negotiations and talks. Thanks to the efforts of all concerned parties, especially the protracted and unremitting struggle by the African countries and people, Resolution 435 of the UN Security Council began to be put into effect on April 1.

China, he went on, hopes that all the parties will respect the implementation of the agreements reached in an endeavor to have the general election in Namibia conducted in a free and fair manner under the supervision of the UN and to have Namibia achieve independence as scheduled.

Of the situation in Africa, Yang said the Chinese Government is willing to strive with African countries for a fair and new international economic order.

China supports African countries in their reasonable proposals for a settlement of the debt question and in their request for an international conference discussing the debt question in Africa.

Yang spoke highly of Togo, under the leadership of Eyadema, for its unremitting efforts in safeguarding state sovereignty and developing the national economy, as well as for its positive role in upholding unity in Africa, and promoting regional co-operation and talks between the south and north.

Of bilateral relations, Yang said the two countries have undertaken fruitful co-operation in various fields, including politics, the economy, culture and public health, in recent years.

China, said Yang, is willing to explore new ways of expanding friendly co-operation and raising bilateral relations to a new height.

Proposing his toast, Eyadema spoke highly of China's achievements in development and technological progress, as well as of the co-operative ties between the two countries.

He said that since the agreement on economic and technological co-operation was signed between Togo and China in 1972, co-operation has continued to grow stronger.

He mentioned in particular fruitful co-operation in agriculture and public health, and he said he hoped for an enhancement of bilateral exchanges in sports.

The president said that in the conflict-threatened African region, all parties have stopped fighting and begun negotiations to solve bilateral disputes.

He noted that in southern Africa, Namibia—the last fortress of colonialism in Africa—will achieve real independence the next year and the four-party peace agreement will be implemented.

Eyadema pointed out that the present world is full of unfairness. Poor nations are facing starvation and disaster, the world economic crisis exacerbating their plight.

He said that the developing countries have time and again suggested that developed countries provide them with aid to lighten their burden. But these suggestions have brought only selfish answers from the rich nations.

"Facing such a situation," he said, "we are more aware of the value of the active, careful and effective aid provided by such countries as China."

The president said he hopes that through his visit relations between the two countries will be strengthened in areas of common concern.

Before the banquet, Yang Shangkun held a welcoming ceremony for the guests and talked with them.

Medical Cooperation With Botswana To Continue
OW0704042089 Beijing XINHUA in English
1833 GMT 6 Apr 89

[Text] Gaborone, April 6 (XINHUA)—China will send a medical team of 13 doctors to Botswana, according to a protocol signed here today.

The protocol, valid for a period of two years, was signed here this afternoon by Chinese Ambassador to Botswana Zhang Dezheng and Botswana's Acting Permanent Secretary of Finance and Development Planning and Director of Economic Affairs K.O. Matambo.

This will be the fifth Chinese medical team to be sent to Botswana since the first protocol was signed between the two governments in 1980.

According to the protocol, the 13 Chinese doctors will work in the Princess Marina Hospital in the capital and the new Francistown Hospital.

The 13-member fourth Chinese medical team, which came to Botswana two years ago, will return on April 29 this year.

West Europe

Trade Relations With EEC Reviewed
HK0704091789 Beijing CEI Database in English
7 Apr 89

[Text] Beijing (CEI)—The European Economic Community (EEC) has become China's No 1 trade partner, its contracted volume of exporting technologies and equipment to China accounting for about 50 percent of China's total contracted import volume in 1988, according to statistics.

In 1986, 51 percent of China's foreign-made machinery, industrial and electric power equipment, and precision instruments were imported from EEC. The Sino-EEC cooperation in science and technology covers energy, materials, nuclear fusion, biological technology, physiography, astronomy, medicine, prevention of natural disasters, and protection of cultural relics.

In agriculture, EEC has provided China with 30 million European Monetary Units of free financial and technological aid. These funds, combined with those by China, were used in 10 major cooperative projects such as the forecast of flood of the Yangtse River, the processing of cashews in Hainan, and the apple preservation in Shaanxi. The EEC-aided six-city milk supply project will be expanded to 12 cities.

A Sino-EEC biological engineering research center is to be set up in Beijing. The State Commission for Science and Technology is going to have an advanced data processing system as a result of the cooperation with EEC. The National Meteorological Center has begun its cooperation with the British Meteorological Departments. The cooperation between the Chinese colleges and European colleges in the industrial catalyst research is well underway. China's data-bank is going to be linked with that of Europe.

According to estimates by the Chinese customs, 12 EEC countries have established bilateral trade relations with China. The total trade volume in 1980 was 4.9 billion U.S. dollars, but that from January to October of 1988 it jumped to 9.55 billion dollars, nearly 100 percent.

The European investment in China has grown since 1979. The large-scale technologically advanced projects include the Sino-Federal Germany, Sino-Italian and Sino-French automobile cooperation, Sino-Belgian telephone switchboard cooperation, Sino-British float glass cooperation, and Sino-Dutch color kinescope cooperation. However, EEC investment in China still lags far behind the United States and Japan.

Nanjing To Receive British Trehalose Technology
OW0604141589 Beijing XINHUA in English
1317 GMT 6 Apr 89

[Text] Shanghai, April 6 (XINHUA)—An agreement that will bring the newly developed trehalose technology from Britain to Nanjing University has been signed in Nanjing.

Under the agreement, Quadrant Bioresources Ltd of Cambridge Science Park will transfer free trehalose biological technology to Nanjing University and open the Nu-Quad Company.

A Chinese scholar at the University of Cambridge, Wang Mingwei, said trehalose is a simple carbohydrate that can protect the biological activity of protein under normal atmospheric temperature and dry conditions. It is useful in storing medicine and food.

Dr. Bruce Roser, of Cambridge University, obtained the patent in 1987.

The British company will provide raw materials, key equipment, technology and staff training. China will be responsible for building a factory and providing staff and some equipment. The products will be mainly for export.

Wu Xueqian Meets Danish Visitors
OW0604131389 Beijing XINHUA in English
1228 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—Chinese Vice-Premier Wu Xueqian met here today Christian Relm-Hansen, chairman of the board of directors of the International Development Agency of the Danish Ministry of Foreign Affairs, and his party.

Relm-Hansen, also a member of the Parliament, arrived Wednesday to exchange views with officials of the Chinese Ministry of Foreign Economic Relations and Trade on bilateral trade and economic relations. He will also visit some projects built with the help from Denmark.

State Councillor Greets FRG Guests
OW0704120189 Beijing XINHUA in English
1034 GMT 7 Apr 89

[Text] Beijing, April 7 (XINHUA)—Chinese State Councillor Song Jian met a delegation of the Research and Technology Committee of the Federal Assembly of Federal Germany here today.

The delegation is led by vice chairman of the committee Karl-Hans Laermann.

East Europe

Hu Qili Briefs GDR Newspaper Editor
OW0604131289 Beijing XINHUA in English
1108 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—Hu Qili, member of the Standing Committee of the Chinese Communist Party Central Committee, met here today with Herbert Naumann, editor-in-chief of the newspaper "NEUES DEUTSCHLAND" from German Democratic Republic.

Hu briefed the visitor on the current political and economic situation in China. Naumann, who is a member of the Central Committee of the Socialist Unity Party of Germany (SUPG), conveyed greetings from SUPG leader Erich Honecker to the Chinese Communist Party leaders.

Naumann and his party have also toured Shanghai and Suzhou since their arrival a week ago and are due to leave for home tonight.

'News Analysis' on Polish Roundtable Agreements
OW0704013089 Beijing XINHUA in English
0844 GMT 6 Apr 89

["News Analysis: Joyous Occasion for Polish People"
(by Tang Deqiao)—XINHUA headline]

[Text] Warsaw, April 5 (XINHUA)—The two-month-old roundtable meeting between the Polish Government and its opposition ended here today with the signing of a final package of agreements, offering a joyous occasion for the Polish people, who had pinned their hopes on its success.

As a Polish reporter said, "It is too early to make an overall assessment of the meeting, but it certainly is a happy event for Poland, which had fallen in dire straits."

Economic and political reforms started in Poland in early 1982. In the first few years of reforms, production was returned to normal, inflation was contained to some extent, and living standards rose moderately year by year.

But in the past few years, the government failed to control the country's continued economic crisis, which, coupled with the failure of the price-income scale, resulted in two major strike waves in May and August of last year.

The country was put into a new predicament with the resignation of the government in September.

On assuming office in October, the new premier, Mieczyslaw Rakowski, promised to—while rectifying the economy and continuing reforms—enlarge the social bases of his cabinet and form a coalition government with wider political representation.

The roundtable meeting, with about 60 representatives from the government, opposition and official trade unions and social groups, started on February 6 in a bid to find ways to extricate the country from the crisis.

After two months of talks, authorities and the opposition today signed a package of final agreements, covering the conditional legalization of the trade union Solidarity and rural solidarity, Poland's political and economic restructuring, as well as an index of wage increases to accompany future price hikes.

The success of the talks has put an end to the eight-year-long antagonism between the government and Solidarity, which will be conducive to social stability and reforms.

The participants have accepted the political restructuring plan put forward by the authorities. According to the plan of enlarging the social bases of government and developing parliamentary democracy, constructive opposition must "share responsibilities for the country's future" when participating in government and political affairs.

The authorities' policies for economic restructuring and measures to set up a new economic order have won support from the participants.

However, the agreement is not a panacea. Quite a few problems, including some matters of principle, are still outstanding.

Serious differences remain in the issues of boy scouts what on earth does this mean? What do boy scouts have to do with the political process of Poland? Pluralism, appointment of leaders, indexed wages, and social supervision of economic restructuring. [paragraph as received]

The implementation of the agreements lies in the sincerity and determination of the participants as well as in the complicated situation of the country—the worsened economic situation, continuing strikes and demonstrations, sabotage by extremists outside of Solidarity, along with other negative factors.

Therefore, the implementation of the agreements will be a process of intense struggle.

Polish leader Wojciech Jaruzelski said recently that the current reforms are a "new attempt" which would "take some considerable risks" and even cost "a certain price..."

"If we do not take some risks today, we will have to pay a much higher price tomorrow," he said.

The roundtable meeting has been part of the attempt. The success of the talks is the first step toward national reconciliation, which will produce a far-reaching impact on the development of Poland.

Latin America & Caribbean

Yang Shangkun To Visit Brazil in June
OW0604144889 Beijing XINHUA in English
0645 GMT 6 Apr 89

[Text] Brasilia, April 5 (XINHUA)—The president of the People's Republic of China, Yang Shangkun, will visit Brazil at the invitation of President Jose Sarney on June 3-12.

During his stay, President Yang will visit the cities of Brasilia, Manaus, Sao Paulo and Rio de Janeiro, according to a statement issued today by the Brazilian Foreign Ministry.

Last year, Sarney paid an official visit to China. Chinese Prime Minister Zhao Ziyang paid an official visit to Brazil in October 1985.

This will be the first visit by a Chinese president to Latin America since the PRC was founded in 1949.

Gorbachev Also Invited

OW0604181589 Beijing XINHUA in English
0734 GMT 6 Apr 89

[Text] Brasilia, April 5 (XINHUA)—Brazilian President Jose Sarney has recently sent a message to Soviet President Mikhail Gorbachev, in which he renewed his official invitation for a visit to Brazil.

The daily "CORREIO BRASILIENSE" today quoted the message as saying that the development of friendly ties and cooperation between the Soviet Union and Latin America is a basic element and of the utmost importance in improving international relations.

Last October, Sarney made an official visit to the Soviet Union—the first by a Brazilian president in this century—during which he invited Gorbachev to visit Brazil.

Argentine Vice President Ends Visit

OW0604072689 Beijing XINHUA in English
1209 GMT 5 Apr 89

[Text] Shanghai, April 5 (XINHUA)—Victor Hipolito Martinez, vice-president of Argentina and president of the Argentine Senate, wound up his visit to China and left Shanghai for home today.

When in Shanghai, Martinez and his party visited a suburban township, Shanghai petro-chemical complex and toured the Huangpu River.

Castro: Each Must Apply Own Socialism Formula

OW0604081489 Beijing XINHUA in English
0229 GMT 6 Apr 89

[Text] Havana, April 5 (XINHUA)—Cuban President Fidel Castro told visiting Soviet leader Mikhail Gorbachev Tuesday that each nation must apply its own formulas to achieve a socialism that fits its conditions.

In a speech made to the parliament Tuesday night to introduce the Soviet leader to the Cuban deputies, Castro said that "each socialist country is seeking to perfect socialism using as a base its own interpretations of the Marxist-Leninist ideas."

Stressing that each must apply its own formulas, Castro said "each socialist country is a laboratory doing experiments to achieve its own economic and social goals."

"If a socialist country wants to incorporate capitalism into the socialist system," Castro said, "it has every right to do so and we should not become mixed up in this."

The principle of unlimited respect for the sovereign will of all countries and peoples is a golden rule of Marxist-Leninist principles, he added.

On Monday night, a spokesman for the Soviet Foreign Ministry accompanying Gorbachev on the visit said that the Soviet Union opposes the idea of "export of revolution."

Political & Social

Deng Xiaoping's Views on Neo-Authoritarianism
HK0704102489 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0841 GMT 7 Apr 89

["Deng Xiaoping on Neo-Authoritarianism"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 7 Apr (ZHONGGUO TONGXUN SHE)—It is known that the controversial theory of neo-authoritarianism on the mainland has recently been noticed by CPC leader Deng Xiaoping. This 85-year-old statesman held that the modernization process in a backward country needs strongman politics with authority rather than Western-style democracy as a driving force.

According to sources concerned, since the debate on neo-authoritarianism developed in the mainland press last January, scholars have been continuously discussing this issue which has a bearing on the orientation of China's political structural reform. In late February, the influential Beijing Young Economists' Association and the China Economic Structural Reform Research Institute, when mentioning China's political reform, explicitly announced in the "Summary of the Symposium on the National Economic Situation" that "China needs an authoritative supreme leading group which can rally the social elite and the nation in this complicated environment to firmly and rhythmically advance this historic reform." Today, the debate has attracted attention from the top CPC leadership.

According to informed sources here, on 6 March, when talking about work arrangements, Zhao Ziyang told Deng Xiaoping that there is a theory about neo-authoritarianism in foreign countries and domestic theoretical circles are now discussing this theory. The main point of this theory is that there should be a certain stage in the modernization process of a backward country wherein the driving force should come from strongman politics with authority and Western-style democracy should not be adopted.

Deng Xiaoping then said: This is also my idea. However, Deng Xiaoping had reservations about the term neo-authoritarianism. He said that the specific word for this notion can be reconsidered.

It is learned that the rumor about Deng Xiaoping's support for the theory of neo-authoritarianism has been quietly circulated among intellectuals in Beijing but it has not been officially confirmed. People here hold that the debate in mainland theoretical circles on neo-authoritarianism will not stop due to Deng Xiaoping expressing his attitude. The debate will continue in depth in connection with China's political realities.

Article Refutes New Authoritarianism
HK0704024089 Beijing JINGJIXUE ZHOUBAO
in Chinese 26 Mar 89 p 7

[Article by Li Wei (2621 0241): "'New Authority' Going Astray"]

[Text] In Western political science, authoritarianism and totalitarianism are two vastly different terms. Authoritarianism means that one dictator or a clique of such people concentrates and controls the power of a political system, except that they do not monopolize power in such areas as economy and culture. Totalitarianism refers to a system of government which puts all aspects of social life under strict control using coercive measures, opposes any form of constitutional separation of powers, calls for the absolute obedience of individuals to the state, and propagates absolute collectivism. It seems that in the eyes of the proponents of "new authoritarianism," what our country practiced in the past and is practicing at present is "old authoritarianism." In our country there has never been authoritarianism, still less a difference between so-called new and old authoritarianism. In real life, in the absence of ownership reform and political and economic dualization [er yuan hua 0059 0337 0553] as prerequisites, and when the government intervenes in everything, any view and theory claiming to be "authoritarianism" can but only be totalitarian in essence and substance.

In Western political science there is a strict distinction between the two terms power and authority. Power means that the subject subjugates the object through coercion, while authority means that the object voluntarily submits itself to the subject under noncoercive conditions. "New authoritarianism" confuses power and authority, and thus fails to grasp the essence of the issue. In reality, the government already has very great power, but inadequate command of authority. "New authoritarianism" confusedly equates the government's lack of authority with its lack of power. Our government once commanded great authority and possessed a strong legal status. However, after experiencing excessive setbacks and frustrations in the previous numerous movements and the Great Cultural Revolution, the government's legal status and authority have undeniably been reduced. Awakened, people found the contrast between reality and their expectations of the government too vast. Therefore, the reason the government lacks authority lies in the inadequate effectiveness of the government's behavior, rather than in the degree of power in its hands. The way to heighten the authority of the government lies in making the government's behavior more effective, especially putting policymaking on a scientific and democratic basis, while striving to foster the image of a clean government, rather than enhancing the power of the government.

"New authoritarianism" places particular stress on political stability and social order. This is understandable. However, the previous political upheavals following the

founding of the PRC were the product of power struggles and political corruption, rather than the result of political participation going awry. In China, the forces of people's participation in political affairs are very weak. Our country has conducted much political mobilization (from-top-to-bottom movements) but what it lacks is political participation. The fundamental way to achieve political stability is to reform the power structure and political system and to update systems and organizations. A stable and effective society with good order is bound to be organizationally developed. Nevertheless, over nearly 4 decades in the past, we have always replaced all other organizations with administrative organizations. Market, enterprise, educational, and cultural organizations were run in the way administrative organizations were operated, grouped into the government's administrative ranking system, and put under its firm control. Consequently, the numbers of all organizations other than administrative ones have shrunk. This organizational shrinkage has resulted in universal disorder and inefficiency in society. For example, the market organizational shrinkage has brought disorder and inefficiency to society. "New authoritarianism" neglects reform of the existing power structure and political system and updating of systems and organizations; but it favors increasing the power of the government while maintaining the existing political power structure (in fact, it means giving more power to several particular individuals in the government—"new authoritarianism" admires strongman politics). In this way, power struggles will surely become more acute the further it goes; the situation in which society lacks order and rallying capability will worsen; and the objectives, such as political stability, which new authoritarianism seeks, will be lost.

The key to getting rid of this disorderly state of affairs lies in standardizing the power of the government so that the government can take charge of what it ought to do. Failure to do so will lead to a structural restoration or more deep-seated disorder.

Tiananmen Square Cordoned; Leaflets Distributed
HK0704103589 Beijing ZHONGGUO XINWEN
SHE in Chinese 1234 GMT 5 Apr 89

[Report by intern reporter Liu Xin (0491 2500): "What Is Seen at Tiananmen Square on Chingming Festival"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 5 Apr (ZHONGGUO XINWEN SHE)—Hundreds of children in Young Pioneer uniforms attending a special ceremony "in memory of revolutionary martyrs" and numerous white paper flowers decorating pine trees made Tiananmen Square more solemn on the Chingming Festival than on other days.

Today, starting from 0800, the area within a radius of 100 meters around the Monument to the People's Heroes was cordoned off. Some people said the cordon was erected to protect some 10,000 children attending the ceremony there and to ensure that the ceremony

would proceed smoothly. Primary school pupils in white uniforms were seen singing the Young Pioneer anthem and respectfully placing wreaths in front of the monument. Some schools even held swearing-in ceremonies for new Young Pioneers there.

Other people who came to pay their respects to revolutionary martyrs at the monument were blocked outside the cordon, and thus they could only look at the monument from afar. Among the dozens of reporters holding cameras and gathering news there were some reporters from Hong Kong and Taiwan who had just completed their coverage of the recent sessions of the National People's Congress and the Chinese People's Political Consultative Conference.

An old couple who made a special trip to Beijing to lay a wreath at the monument tried to convince the soldiers on duty to let them in. But their effort was in vain.

At around 1000, a woman about 50 years old, holding a Mao Zedong portrait, appeared outside the cordon. Dozens of cameras immediately were pointed at her. She spoke loudly to the soldiers, who gathered around her to ask questions: "I am a retired worker. I come here every year to pay respects on behalf of the proletariat and the working people!" Interviewed by reporters, she said she was a retired staff member from a clinic at Sanlitun, Beijing. Her name is Zhang Xiumin. Since 1980 she "has come here every year to pay her respects to Chairman Mao, Chairman Liu, Commander Zhu De, and Premier Zhou." In a loud voice some people asked her why she brought only one portrait along with her this year. She replied aloud: "This portrait represents all!"

A few minutes later, she was permitted to pass through the cordon. She made three deep bows in front of the Monument to the People's Heroes, wiped her tears away with her sleeves, and then left the square.

Meanwhile, a young man in an old green military uniform, standing on the steps in front of the Great Hall of the People to the west of the monument, was seen spreading a bunch of leaflets among passersby. This young man was taken away by some public security officers, and all the leaflets were retrieved and confiscated. It is said that no one read the leaflet, and the police confirmed afterward that the young man was a mental patient.

About 10 minutes later, a middle-aged woman in red with a bouquet of flowers was seen entering the cordon. She laid down the flowers gently, and left the place with tears flowing from her eyes. She turned her head to look back at the monument again and again while walking away.

At 1040, the cordon was lifted when the Young Pioneers' memorial ceremony was about to finish. So people waiting outside the cordon immediately swarmed toward the monument.

A big crowd gathered around the monument, white paper flowers were dancing in the wind, and the ceremony in memory to revolutionary martyrs began quietly.

Activist Chen Jun Believed 'Missing'

HK0704022589 Hong Kong HONGKONG STANDARD in English 7 Apr 89 p 1

[By Yau Shing-mu in Beijing]

[Text] A key supporter of the drive to win the release of China's political prisoners was believed to be missing yesterday.

Mr Chen Jun and his father boarded a Shanghai-bound train on Tuesday night, but since then members of their family have lost contact with them.

"If they had got off the train in Shanghai, they should have been seen and greeted by Chen Jun's sister waiting there," Mr Chen's English wife Jennifer said yesterday.

"She found no sign of them. Then she called at her father's house, but the pair did not arrive.

"Moreover, up to now I haven't received any calls from him.

"Before his departure from Beijing, we agreed that after his arrival in Shanghai, he would ring me between 6 and 8 pm on Wednesday."

She said she managed to get in touch with Mr Chen's sister, who said she would check with the Public Security Bureau after they had been missing 24 hours.

Mrs Chen said she and a friend, Mr Lao Mu—another supporter of the amnesty drive—saw the pair off at the Beijing Station, and noticed a number of plainclothes police nearby.

While Mr Chen's sister was waiting for him in Shanghai, she said, "she identified a police officer who had interrogated Chen Jun last year."

Mr Chen was returning to Shanghai to get back his passport, which was seized by police late last year.

Before the trip, he said the police had no legitimate reason for retaining the passport.

"If they don't take me to court, I'll bring them to court," he said, suggesting he would sue the government for infringement of his personal freedom.

Mr Chen holds a green card, allowing him entry to the United States.

The Chens have been in Beijing the past two months organising support for the amnesty drive.

Mr Chen's father was with the couple from time to time, and was to accompany Mr Chen on his trip home.

His disappearance is reminiscent of Hong Kong political activist Lau Shanching, who went missing in Guangzhou in 1981.

Mr Lau had gone to Guangzhou to visit the families of a number of jailed dissidents. He was later confirmed to have been arrested and sentenced to 10 years' imprisonment.

Arrives in Hong Kong

HK0704050689 Hong Kong Commercial Radio 0430 GMT 7 Apr 88

[Text] Human rights activist Chen Jun is reported to have arrived at Kai Tak Airport after being expelled from China. But it is doubtful if he will be allowed to pass through immigration here. As Michael Weed reports:

Mr Chen, who led a campaign to free political prisoners in China, is thought to have arrived from Shanghai a short while ago. But it is understood that he has no Hong Kong visa, and it looks unlikely that he will be allowed to pass through immigration. A large contingent of reporters here at Kai Tak have tried unsuccessfully to arrange a news conference in the VIP room inside the transit area. Mr Chen has a U.S. residents' permit, and an open ticket to New York. But a Chinese spokesman said London is his final destination. His wife said earlier today that she had found him in detention in Shanghai, saying that he had been deported. But China denied he had been expelled, and claimed he had requested to leave the country. This is Michael Weed at Kai Tak for Commercial Radio News.

Enroute to San Francisco

HK0704090089 Hong Kong AFP in English 0847 GMT 7 Apr 89

[Text] Hong Kong, April 7 (AFP)—Chinese dissident Chen Jun is apparently leaving for San Francisco via Hong Kong after being forced out of China Friday, according to Singapore Airlines' local reservations office.

The Singapore carrier's reservations desk said Friday the name Mr. Chen Jun was on the passenger list for the airline's San Francisco-bound Flight 002, which leaves Hong Kong at 9:30 pm local time (1330 GMT) Friday.

"The booking was made in Hong Kong today. It's been confirmed," a reservation official of the airline told AGENCE FRANCE-PRESSE. She said the passenger, whose age and nationality were not available, was travelling alone.

The reservation official said that there was no Jennifer Holdaway on the booking list. Ms. Holdaway is Mr. Chen's wife.

Mr. Chen is understood to have flown in from Shanghai in eastern China earlier Friday and been staying in Kai Tak Airport's transit lounge awaiting a flight for the United States.

"We do not comment on the movement of individual passengers," a Hong Kong government spokesman said.

'Political Cold Currents' Analyzed

HK0604061389 Hong Kong CHIU SHIH NIEN
TAI in Chinese No 231, 1 Apr 89 pp 48-50

[Article by Lu Ching-shih (7120 0079 1102): "Political Cold Currents Before the 'Two Sessions'"]

[Text] Last February and March, the temperature suddenly rose in Beijing, Tianjin, and the surrounding areas. But in their hearts some intellectuals, especially those who were always concerned about the country and the people, did not feel the spring warmth. On the contrary, from various unfavorable government actions, which were opposed to democracy and indifferent toward (and even hostile to) human rights, such as the dispatch of police and plainclothesmen to prevent Fang Lizhi from attending the return banquet given by the U.S. President in Changcheng Hotel on 26 February; and the open denunciation by the Ministry of Justice in Beijing that the petition initiated by poet Bei Dao and signed by 33 writers, professors, and academicians was an attempt to "create public opinion, exert pressure, and affect the independence of the judiciary, which violate the principle of China's legal system and, therefore, is erroneous," they felt the chill in the air.

Leaders Do Not Want To Plant Trees

March 12 was Sun Yat-sen's birthday. It was also an official tree-planting festival. However, on the television screens people did not see Deng Xiaoping and his lovely granddaughter symbolically planting trees in the suburbs at the head of civilian and military officials. Even the leaders of the party Central Committee and the State Council did not show any signs of activity. This could not but make people sensitively aware that there must be considerable differences or rifts among top-level personnel, making it impossible for them to assemble and put on a show of "central leaders taking the lead in planting trees and attaching importance to the greening of the motherland."

It was learned that Bo Yibo took advantage of the "Su Shaozhi incident" to submit a petition, calling for the purge of enlightened intellectuals. After the petition was rejected by Deng Xiaoping, he went south to Guangzhou to recuperate. His "leftist" old comrade-in-arms Peng Zhen was also "recuperating" in the Shenzhen Special Economic Zone. Moreover, since Deng Xiaoping was "not in good health" recently (it is rumored that some time ago Deng went to Shanghai to see famous doctors

for his illness) and found it difficult to walk, it was hard for him to appear on the television screen. As a result, the tree-planting festival was canceled.

Judging from the present situation, Deng Xiaoping and Zhao Ziyang are facing threats from many quarters. There is not only international pressure but also the dual threat from opposing sides in the country and among the masses. Internationally, let's set aside for the time being the question of repaying foreign debts which are due soon. The series of anti-Stalin campaigns launched by Gorbachev in the ideological field and his readiness to start identifying the "human rights issue" pose pressure on Zhongnanhai but the leaders of both factions want to protect Mao Zedong and refuse to thoroughly liquidate the errors during the "Mao Zedong era." The new reform trends in East Europe have had a constant impact on the ancient Great Wall. For example, the multiparty system practiced in Hungary and the concessions made by the Polish authorities to the Solidarity Trade Union have developed into waves pounding on the CPC.

Laborers Working on Public Projects Roam About and the Public Security Situation Deteriorates

Domestic problems have "piled up as high as a mountain" and there are fatal crises everywhere. The Li Peng cabinet recently bragged at home and abroad that "the country has suspended or delayed the construction of 18,000 projects in fixed assets and reduced investments by 64.7 billion yuan," regarding this as an achievement. Indeed, in doing so they have to some extent attained the aim of "cooling down economic investment" but a more serious consequence has occurred—some 5 million to 6 million laborers (laborers pouring into the cities from the rural areas in an endless stream) have lost their jobs and lead a vagrant life in large cities. This is bound to lead to a deterioration in public order and, with the rise of such malignant criminal cases as murder and theft, the authorities will inevitably strengthen the forces of armed and criminal police. The Chinese mainland will shift all the more toward a typical police state. This trend is also bound to become a deterrent to the just unfolding democratic movement, and the semi-feudal rule characterized by the lack of democracy and unwillingness to open up is also bound to slow down genuine modernization.

Judging by the markets in Beijing, price control is only empty talk. Let's set aside other matters for the time being. Food is the first necessity of the people. Because the grain supplied by state-owned grain shops is poor in quality and small in quantity, people have to purchase grain on the free markets. However, since the government abolished free grain transactions during the spring festivals, people have to purchase grain in the suburbs through connections. The price of grain is said to be 1.5 yuan a jin (this, plus the price of rice coupons at 0.4 yuan a jin, comes to 1.9 yuan a jin) and it is still hard to come by. If that is the case, the wages of a cadre at the section

head level, an associate professor, or a deputy research fellow, which stand at 122 yuan a month, are hardly enough to buy 100 jin of rice in the suburbs of Beijing.

It was rumored last year that authors' remuneration would be readjusted. It would be increased by 100 percent, namely, the highest remuneration would be 40 yuan per 1,000 characters and the remuneration for a scenario would be increased to 8,000 yuan at least. However, because the state treasury is empty, this internal decision has to be postponed indefinitely.

On the occasion of the 70th anniversary of the May 4th movement, the bicentennial of the Great French Revolution, and the 40th anniversary of the founding of the PRC, 33 noted figures jointly signed a public letter, calling for an amnesty for Wei Jingsheng and others, and later 42 persons jointly wrote a letter to the higher authorities calling for the conscientious implementation of democratic politics, improvement in the living standards of intellectuals, solutions to education problems, and the freeing of political prisoners still detained. All this has made high-ranking officials in Zhongnanhai feel uneasy even when eating and sleeping.

Do Not Make Trouble During the "Two Sessions"

In the face of such a grim and turbulent situation, although top-ranking personnel in the CPC have not gone so far as to resort to open suppression (the fact that Fang Lizhi was prevented from attending the banquet has not been able to cover up the CPC's anger over democratic personages), a thirst for blood lies behind. Over the past 4 decades, there have been at least four to five political campaigns with rampant killing, which have made "people of foresight" and "conscience" among the people at odds with the leadership. Will exclusive dependence on imprisonment and suppression arouse another April 5th movement or "Beijing Spring"? It is extremely difficult to foresee.

The CPC has reportedly made meticulous arrangements for this year's Chinese People's Political Consultative Conference [CPPCC]. If the persons signing the open letter spoke at panel meetings (it is impossible for these people to be invited to speak at full sessions), restating Wei Jingsheng's case or the question of giving political prisoners amnesty, some "hatchet men" would step forward to make rebuttals.

Before the current "two sessions," to manifest its political concept of "multiparty cooperation," the United Front Work Department of the CPC Central Committee announced that 12 "cabinet" posts had been reserved for the 8 "democratic parties." Of these posts, there will be one state councillor, three ministers, and eight vice ministers. But there must be a prerequisite, namely, the "democratic parties" must recommend those members who "resolutely support the CPC" and "uphold the four cardinal principles" for the cabinet posts. The ultimate right of adjudication is in the hands of the ruling party.

Some people say that this is aimed at encouraging the eight "democratic parties" to bring forth some more people like Fei Xiaotong and Qian Weichang.

Meanwhile, Yan Mingfu, head of the United Front Work Department of the CPC Central Committee, also asked responsible persons of all "democratic parties" to call on the members of the "political parties" attending the Second Session of the Seventh National People's Congress [NPC] and the Second Session of the Seventh CPPCC not to "create trouble" for the government during the meeting and not to mention the two "systems." One is the "multiparty system or two-party system" and the other is the "system of private ownership." This is perhaps in exchange for the 12 leading government posts given to the 8 "democratic parties" by those in power in Zhongnanhai.

At present, apart from challenges from the "socialist planned economy" restored by conservative forces, Zhao Ziyang and his backer Deng Xiaoping are also facing a tremendous threat from the "Cultural Revolution" revived in a new guise. In the past year or so, numerous articles, such as the article written by Zhang Yufeng and the exclusive interview with Wang Li, a major scholar of the "Gang of Four," have voiced grievances for Guan Feng and flattered Wang Hongwen in a disguised form. It is said that in some backward areas in southwestern China almost every household is enshrining and worshipping Mao Zedong's portrait as if he were a god. The phenomenon of "people cherishing the memory of Mao Zedong" has emerged in an endless stream. In a Sichuan university there are people leading a chorus of "Sailing the Seas Depends on the Helmsman" every morning. In Shaoshanchong, where the "emperor was brought forth," the song "Red Is the East" is broadcast through loudspeakers three times a day.

A mass debate is said to have taken place in the classroom of a university. One group said that Mao Zedong waged political campaigns during his lifetime to attack people and launched the Great Leap Forward resulting in the death of tens of millions of people from hunger, and that the present reform and opening up are fine. The other faction refuted this by saying: Mao Zedong and his family lost six people for the revolution. He sent only one son "abroad" to resist U.S. aggression and aid Korea, who later died on the battlefield. How about Deng Xiaoping? How many of his descendants live abroad? And how much in overseas deposits does he have?

In short, the pitch of cursing the policy of Deng Xiaoping and Zhao Ziyang as "changing the state into a pre-liberation-day China overnight" has grown higher and remarks proving that "Deng Xiaoping is inferior to Mao Zedong" are increasingly popular.

In talking about top-level personnel in Zhongnanhai being subjected to "a pincer attack from both the left and right sides," some people say they have only themselves to blame. For example, in a news conference for Chinese

and foreign reporters on 15 March, Yuan Mu, a spokesman for the State Council, claimed that "political criminals do not exist at all in China." He also denounced some people for attempting to "draw support from some foreign forces" in carrying out their activities. This practice caused raised eyebrows. Later, Hu Qili and Rui Xingwen, important CPC officials in charge of ideology, instructed XINHUA reporters to rush a report on Wei Jingsheng being "in good health," "receiving special treatment," and "living in a flat consisting of two rooms and one sitting room" while serving sentence in Qinghai.

Moreover, Dule Bookstore, which was situated near Beijing's Xibianmen, provided a place in mid-February for XINQIMENG [NEW ENLIGHTENMENT] monthly to hold a forum (which was initiated and presided over by Wang Yuanhua and Wang Ruoshui in the intellectuals circles). The participants included Fang Lizhi, Yu Haocheng, Ge Yang, Shao Yexiang, and others. Fang Lizhi made an impromptu speech and other academicians and writers also spoke. Two weeks later, Dule Bookstore, as well as its literature and art salon, was "sealed up." In sealing up the bookstore, the housing department stepped forward to forcibly take back the place and refused to rent it any more. It is said Xia Yan, a left-wing writer of the older generation, telephoned poet Bei Dao, expressing his praise and moral support for the petition signed by the 33 people. Soon afterwards, he received "advice" from the top level, asking him to "uphold his integrity in his later years."

Will the General Secretary Be Changed?

With Deng Xiaoping and Zhao Ziyang in a passive situation, Hu Qiaomu and Deng Liqun are trying to stage a comeback. Earlier, in his capacity as honorary president of the Chinese Academy of Social Sciences, Hu Qiaomu attended some relatively orthodox academic or commemorative activities. Whenever he spoke, he made a point of displaying his "enlightened" viewpoints. At a meeting, he even advocated the need to practice a "tolerant" policy toward theoretical studies and academic issues in an attempt to cater to popular feelings and change his image. Deng Liqun, however, still constantly visited the political octogenarians in a bid to ascend the throne as general secretary. In the name of calling on Deng Xiaoping, some elders lobbied for his support and told tales about Zhao Ziyang. They also said that Little Deng (Liqun) had got an original view about the situation after reading books behind closed doors and assiduously studying Marxism-Leninism and Mao Zedong Thought, and that there was no harm in letting him replace Zhao. Deng Xiaoping rebutted the advocates by asking: Is Deng Liqun still a Central Committee member?

Some time ago, a policy researcher closely connected to Zhongnanhai said: The central authorities are in no shape to be seen now. Party and government leaders from all provinces, autonomous regions, and municipalities throughout the country held a meeting in Beijing. When some governors said that it was difficult to reverse

the economic battle losses for some time to come, and asked the central authorities for advice, Li Peng said jeeringly: You can ask General Secretary Zhao directly about your problems because it is better for the doer to undo what he has done! At this, Zhao's face turned red, then pale. The internecine at the highest level has come to such a state that it is not surprising there are always "disputes" on the mainland.

People have made a forecast in Beijing, holding that it is virtually certain that Deng Xiaoping will be forced to replace the general secretary because the pressure exerted by most political octogenarians has been growing. The result of consultation is generally as follows: Yao Yilin will replace Zhao Ziyang and Zou Jiahua will replace Yao Yilin. To save Zhao's face, Zhao will still be allowed to serve as first chairman of the Central Military Commission, and will pay more attention to Army work. But this will take place only after Soviet leader Gorbachev visits China in May. If, being besieged on all sides, Deng has to swop horses again, the reform path on the Chinese mainland will certainly be fraught with zigzags and risks!

Bo Yibo Reminisces About He Long

HK1803032789 Beijing RENMIN RIBAO in Chinese
9 Mar 89 p 6

[Article by Bo Yibo (5631 0001 3134): "Recalling Past Events About He Long (6320 7893)"]

[Text] Half a century ago, people in northwestern Shanxi referred to Comrade He Long as the "living dragon," because of his efficient government while the 120th Division of the 8th Route Army under his command was stationed in the region.

Comrade He Long devoted his whole life to the party and the nation, and his meritorious services have gone down in history. He was exceptionally courageous, frank, and straightforward. It was because of his outstanding and unique character that many popular legends about him have spread among the masses, making his revolutionary feats all the more brilliant. To mourn the deceased, I shall recall some incidents in my personal contacts with He Long in this article, through which, one may see a sketch of his sterling character and style.

1. Comrade He Long was a person with a very strong party spirit. I was in southeastern Shanxi when Comrade He Long arrived in northwestern Shanxi at the beginning of the War of Resistance Against Japan. Despite our different locations, I heard about him occasionally. He was good at strategy and tactics; moreover, he had a staunch proletarian party spirit. He often said that, party spirit was nothing in the abstract, but found expression in one's everyday speeches and actions. He referred to the People's Army as the "party's army," which means, the Army was subject to the party's leadership, and must fight for the cause of the Chinese people's emancipation. It should never follow the example of the warlords, who

turned the army into the tool of some individuals and a handful of people in pursuing private ends. A veteran soldier, Comrade He Long came from the old army; that explained why he had a more profound understanding in the quality of the People's Army. He often taught his subordinates that northwestern Shanxi served as a shield for the Shaanxi-Gansu-Ningxia border areas as well as a passage, through which the Central Committee kept in contact with other base areas; hence its important strategic position. Now that the Central Committee had sent them there, they must strike root into the area. A well-known saying of his goes: Nobody can stay alive with his head cut off. It is the same with the party and the Army. The head of the party and the Army is none other than the Central Committee headed by Mao Zedong, which we must safeguard at any price. At a time when the War of Resistance Against Japan was deadlocked, life in all base areas could be extremely difficult, including northwestern Shanxi. Many soldiers had to do without their cotton-padded coats in winter. Under these circumstances, the Shanxi-Suiyuan base area under He Long's leadership, like all other base areas, gave priority to supporting the Central Committee, and delivered to Yanan the limited materials and goods produced by his troops. He said that, we should share any difficulty of the Central Committee, and never forget the complete situation under any circumstances, and that we must first help the Central Committee resolve its difficulties. That was how he always placed the party's interests above personal interests, and the interests of the whole situation above partial interests. Just as Comrade Ren Bianshi [0117 1732 2514] put it, Comrade He Long was a great man because "he has always been loyal to the revolution and the party."

2. **Our first meeting.** It was in the autumn of 1943. I went to Yanan from Shanxi to attend the party's 7th national congress. Because its opening was delayed, several comrades from the front, including myself, asked to participate in the Rectification Campaign. With the Central Committee's approval, we all entered the Central Party School. I was assigned to the First Branch of the Party School. Comrade He Long was then stationed in Yanan, as Commander of the Shaanxi-Gansu-Ningxia-Shanxi-Suiyuan Joint Garrison. Along with Comrade Luo Ruiqing [5012 3943 0615], I visited He Long one day. He was rather cordial to us. In a very strong western Hunan accent, he said: Welcome! Welcome! This is the first time that we have ever met. In fact, I have heard about you for a long time, since we were both working in the Shanxi Base Area. This is your first trip to Yanan; and you must have met with many inconveniences. Do feel free to let me know about any difficulties you have come across. Promptly, he ordered his subordinates to prepare a suit for me as well as Comrade Luo Ruiqing. Then he added that, the Central Committee had arranged for other daily necessities, and you will have all the things of our own production, such as milk and fruits. In our first meeting, I found him frank, honest and kind in treating others. In those days, the mutual concern and care between comrades, and between the superior and the subordinates

shaped into an atmosphere, whether in Yanan or other base areas at the front. Such comradeship and moral atmosphere were the important source of strength to overcome all kinds of difficulties and to seize continuous victories in solidarity and unanimity.

3. **By the hospital bed of Comrade Guan Xiangyin [7070 0686 2019].** In December 1943, Comrade Guan Xiangyin was sent to the hospital for tuberculosis treatment. I went to visit him one day. It was a coincidence that Comrade He Long also paid him a visit. Upon seeing me, he said: How are things with you, Yibo? So you are acquainted with Xiao Guan (that was the way he always addressed Comrade Xiangyin)? I replied: Yes, we have known each other a long time. Back in the summer of 1930, when Comrade Xiangyin was working in the Central Military Commission, he made an inspection tour of the north on the military conditions. I was then working in the Shunzhi Provincial CPC Committee Military Commission. I was accompanying him while he was inspecting Tianjin and Tangshan. We got along quite well, and he left a deep impression on me, especially in his cultivation of Marxist theory. Then, Comrade Xiangyin said slowly in a deep voice: Comrade Yibo has long been working in the field of military supplies transportation, and has developed underground party organizations in several divisions under the Shanxi army. He has done a good job, and is rich in experience. Comrade He Long nodded in appreciation, smiled, and said: "Pardon me for my ignorance! So you have been a military worker for a long time, and I must make a new appraisal of you." Then, he added: Our people are just like that, we will do whatever the party tells us to do. We should do any work, military work, party and government work, mass work, and underground work. This actually helps in tempering ourselves and improving our abilities. "Practice yields true knowledge as well as talents." Our party's cadres, including all those who are genuinely able to take up important posts in all fields have been trained and brought up this way. It is true today, and it will remain pretty much the same when the revolution succeeds in the future. Perhaps, this point is also referred to in the ancient saying "more often than not a prime minister rose from the provinces, a courageous general hailed from the ranks!"

4. **Recalling the campaign to eliminate counterrevolutionaries in Hunan and western Hubei.** That was a topic in one of our meetings when I asked He Long about the conditions of struggle in Hunan and western Hubei. He said: In the campaign to eliminate counterrevolutionaries in the Soviet areas, Hunan and western Hubei went the farthest in "leftist" practice, while suffering the heaviest losses. Four rounds of "eliminating counterrevolutionaries" were conducted under Xia Xi's [1115 2569] leadership. Many comrades were labelled "the reorganization faction," "anti-international," and "counterrevolutionary," and were slaughtered. Even when they had always been known to be good comrades, nobody could save their lives. When Xia Xi wanted to kill Comrade Duan Dechang [3008 1795 2490] when he

was charged with belonging to "the reorganization faction," I could not bear it any longer; I hit the table, rose to my feet, and argued bitterly with him, but it did not help. Shortly before Duan Dechang was executed, he stared at me and broke into tears, then shouted at the top of his voice: He Long, I have never turned against you! It is only Xia Xi personally that I opposed! Don't you ever forget about the people back in the Hong Hu area, and you must fight your way back there. "I shall never forget this lesson written in blood," He Long said bitterly.

Here, he could no longer control his wrath. Raising his voice, he said: How could a struggle characterized by extreme "leftism" and incidents of internal strife have taken place inside the party? The causes were complicated. There were problems of factionalism, the line, and personal character. Xia Xi had serious problems in all three aspects! I said: Xia Xi was not the only person who did such foolish things. The same thing happened beyond Hunan and western Hubei. Then He Long said: Now everything is fine, with Chairman Mao Zedong in charge of the Central Committee, and there is more democracy in inner-party life. It seemed that such mistakes would never be repeated. Alas, a wish was after all a wish. He never imagined that 30 years later, he himself could not escape the ill fate, and was persecuted to death in the "Great Cultural Revolution" initiated by Comrade Mao Zedong. Of course, Comrade He Long was not the only one who suffered during the "Great Cultural Revolution;" we may say that none of our comrades ever expected such a grave "ten years of internal disorder." History has once again left us a bitter lesson.

5. "There is need to air one's view straightforwardly." One day in 1944, Comrade He Long asked me to go hunting in the open country. On the way, he asked me: What do you think of the recent incident? I asked him what he was referring to; and he said: Taking a ride on a U.S. plane just for fun! So he was referring to a central leading member taking a ride on a plane of the U.S. Military Observation Team, circling over Yanan! Rather excited, he began to reveal his thoughts to me: The U.S. Military Observation Team now stationed in Yanan is here to observe us. We should also observe them on an equal footing. There's no problem with us establishing friendly ties with them based on international protocol. But is it justified to take a ride on their plane just for fun? Moreover, I am talking about one of our senior cadres. I believe, that was indiscreet. Such downright nonsense! Think of the damage done to the party's image! I shall criticize the cadre in question in his presence at a Central Committee meeting. We need to air our views straightforwardly. Things that should be criticized must be, no matter who is involved. By no means should we keep our mouth shut when a brass hat is involved. In inner-party political life, especially among senior cadres, I think, an atmosphere of straightforwardness must be maintained. We are not worthy communists if we fail to achieve what ancient people advocated in "pointing out others' shortcomings in their presence." Because I knew nothing about the incident referred to, I made no comment on it

at that time; but I did admire him for his straightforwardness in airing his view. I think he must have contemplated the incident a great deal and such straightforwardness is still worth our studying and bringing forward today.

6. A long discussion and exchange of views on the cadre issue. Shortly after the founding of the PRC in 1949, Comrade He Long was appointed southwest regional military and political committee vice chairman, concurrently commander of the Southwest Military Region. We saw each other very seldom until the 3d Plenary Session of the 7th CPC Central Committee called in June 1950 when we all gathered in Beijing. At that time I was first secretary of the Central Committee North China Bureau. Naturally, I became the host, and on separate occasions, I invited several comrades of the Central Bureau to dinner at my place. Comrade He Long was one of my guests. I remember in our talks, we chatted about our joy over the founding of the PRC as well as our work. Besides, we also compared notes concerning some cadres. Once again, our discussions went back to the days of the War of Resistance Against Japan.

Comrade He Long said that, when the 120th Division arrived in northwestern Shanxi, everything went smoothly. That was because of the earlier efforts of those comrades of Ximenghui [3686 4145 2585], Shanxi Alliance of Sacrificing to Salvage the Motherland, and Juesidui [0414 2984 7130], Shanxi Life-Death Struggle Army, working in that area. Whether it was the 4th Column of the Juesidui, or the Gongwei [1562 5898] [Working Men Guards] Brigade, or the Interim 1st Division, or the Jueshidui 2d Column, which was later transferred to northwestern Shanxi from southwestern Shanxi, they all worked with the 120th Division in solidarity and close cooperation. I asked: What did you think of the Ximenghui and Juesidui cadres there? He did not answer the question directly, instead, he posed a question: Several cadres were controversial, why did you appoint them? Then I told him the true story: When the Central Committee and the Northern Bureau sent me to carry out united front work in Shanxi, they gave repeated instructions that I "put on a Shanxi cap," and speak in the "Shanxi dialect"; this could be extraordinary, but was useful to us. Regarding those who sided with forces resisting Japan, especially Yan Xishan's [7051 6932 1472] subordinates, the more we could win over the better. I was entrusted to start a new army in Shanxi, at a time when China lost its stronghold at Yanmenguan. The Shanxi troops retreated in defeat, and Yan Xishan was at a loss. That was a time when he was referred to as being most progressive. Yan asked Liang Huazhi [4731 0553 0037] to bring me a message; the latter informed me: Mr Yan has a suggestion, that five brigades (namely four columns of the Juesidui, and one brigade of Working Men Guards) be initially founded; preferably their political commissars will be of Shanxi origin. That will help convince Mr Chiang Kai-shek. The several cadres Commander He Long referred to had been appointed under such circumstances, and the matter was later

reported to the Northern Bureau (for at that time, the Shanxi CPC Work Committee was out in the open, but only work among the public rather than underground was conducted, while work concerning underground CPC cells in Ximenghui and Juesidui was under the charge of the Shanxi Interim Work Committee). Those comrades in question proved to be fine, having stood the test of the 8 year War of Resistance Against Japan and the 3 year war of liberation. When I reported on work in that period to the Central Committee, Comrade Mao Zedong basically summed it up, saying: You have done quite a good job, with only a few people uniting the majority. That's fine. This shows the success of the party's united front in an extraordinary way. Upon hearing this, Comrade He Long refrained from making any further remarks.

Then I asked him, what do you think of Niu Yinguan [3663 5593 0385]? He said: As the Northwestern Shanxi Administrative Office deputy director, he has failed to behave himself. He came from a landlord's family. He was not firm in his stand when his father was being publicly denounced during the land reform. Promptly I said: Do forgive me for being outspoken, Commander He. I think, there is something wrong with your view. You don't seem to have the whole picture of his story. Niu Yinguan was originally a student of Qinghua University, an activist in the "December 9th Movement." Later, the party sent him to work in Shanxi. Following instructions from Comrade Liu Shaoqi and the Central Committee Northern Bureau, I was to handle military affairs full time, while Niu Yinguan would take charge of the day-to-day work of the Ximenghui. (When I met Comrade Zhu De in Wutai area, he suggested that I manage to obtain Yan Xishan's approval, and have the new Shanxi army under my leadership be transferred to the Shandang area. He also told me that I should go all out to grasp military affairs, while finding someone to take my place regarding work on the Ximenghui.) In my opinion, Niu Yinguan made contributions in at least two ways. First, in organizing self-defense squads in all counties, Yan Xishan distributed 5,000 rifles and some 200 machine guns to them. Through Niu Yinguan's efforts, these munitions were basically grasped in communists' hands. And second, he had promptly withdrawn some 400 cadres before Yan Xishan initiated the "December Incident;" consequently, he managed to preserve the party's strength. His father was an enlightened squire, and had done something good for us. I believe "leftist" errors were committed in the land reform in Northwestern Shanxi (such errors also took place in our area). It was wrong to denounce his father in the first place. Especially when the old man was literally treated as a cow as a sort of punishment, with a piece of iron wire pierced through his nose, while his son, Niu Yinguan was compelled to take the other end of the wire, "to herd the cow," so they said. Such extreme behavior was inhumane. Therefore, we should not criticize Comrade Niu Yinguan for "not behaving himself," or "not being firm in his stand."

I have a shortcoming myself. I am liable to hold my ground in a debate, so long as I believe I am right. That was why I pressed him with another question: In your view, Commander He Long, was there anyone outstanding among all the Juesidui cadres? He said: Yes, of course, there were. Most of the Ximenghui and the Juesidui cadres were outstanding. For example, Han Jun [7281 6874] was exceptionally good. He was able, and very good at writing. I said: I agree with you. Han Jun was the Political Department director of Juesidui's 2d Column; actually, he was in full charge of the column. Later, he became your secretary, didn't he? We have known each other for quite a while. Of course, I don't mean that he was perfect. He could be conceited and arrogant sometimes, and that was precisely one of his shortcomings.

In short, we were both straightforward in our talks on that occasion; we shared some views despite our differences on other points, which did not affect our joyful mood. I gained some enlightenment through our talks: First, it is not easy to assess people. More often than not, our assessments of any cadre vary in depreciation or appreciation, because of different angles and methods in our observation as well as differences in the length of time, the depth of knowledge, and environment in our relations with that particular person. Second, it follows that in the assessment, checkup, and appointment of cadres, it is necessary to solicit others' opinions extensively with analysis and discrimination to arrive at a rather complete and truthful understanding of those concerned. Especially when it involves those cadres, with whom one is rather intimate or familiar, it is all the more necessary to listen to others' opinions, by no means should we be cocksure of our own views regarding them. And third, leading cadres have also been promoted step by step from the ranks of ordinary party members; they, too, could be prejudiced in assessing people and matters, consequently forming a marred picture, and leading to differences in understanding. Hence, the need to constantly exchange views to help eliminate the differences and to unify understanding. Such enlightenment has been helpful in my later work, especially in dealing with the appointment of cadres.

7. On putting a halt to building "grand roofs." China shifted to large-scale economic construction with the completion of the three-year economic recovery in the early fifties. At this juncture, an unhealthy tendency by which the pursuit of ostentation and extravagance surfaced in some localities. Take architecture for example, the construction of buildings with "grand roofs" became the order of the day in Beijing, Changchun, Xian, Chongqing, and Anshan. By "grand roof" I mean topping a modern building with an elaborate roof typical of the imperial palace. True, architects' designs in this category belong to a specific genre in architectural art and style. That is beyond reproach. Conditions permitting, it would do no harm to build some of them in public places. But the absurdity at that time was the universal application of such roofs simply for beauty's sake, totally

disregarding limited budgets and practicality. At that time, 39 buildings with such "grand roofs" were erected in Beijing alone, and the waste was shocking. Changchun Institute of Geology built a "Geological Palace," with columns of ornate artistic dragons erected in front of the building, in addition to artistically carved roof beams, and painted pillars in the building proper. The cost exceeded the budget by 50 percent. Beijing municipal authorities wanted to follow suit in designing the "four ministries with an auditorium" compound at Sanlihe. I pointed out to them that such roofs were built only for the birds' pleasure. With so much money spent, the top floor could not be used for any purpose in the end. Because of intervention by Comrade Li Fuchuan and me, the plan for building a "grand roof" for the new building of the State Planning Commission was axed, with support from Comrades Mao Zedong and Zhou Enlai. As I was National Commission for Increasing Production and Practicing Economy director at that time, Comrade Mao Zedong asked me to issue a circular on behalf of the Central Committee to immediately put a halt to the unhealthy tendency by which "grand roofs" were sought after. Comrade He Long firmly supported this. He said that, the central decision is correct, we should implement it unconditionally, and responsibility will be affixed to anyone who ignores the decision! He personally arranged for SICHUAN RIBAO to publish articles to spread the message extensively. Like many veteran revolutionaries, Comrade He Long had experienced all kinds of difficulties and hardships, and had a good idea of the arduous tasks involved in initiating a revolutionary cause, and he himself had practiced economy in every way. It was just natural for him to vigorously oppose extravagance. Successfully halting the unhealthy tendency by which "grand roofs" were sought after was primarily due to the Central Committee's prompt discovery, and its resolute decisionmaking. It also owed to the unanimous actions of various localities, with enforcement of orders and prohibitions. I believe, that was also a successful experience to be referred to by our successors. Everybody can understand the simple truth that "unhealthy tendencies should not be developed." But the effective way to "halt an unhealthy tendency" is to "nip it in the bud." By no means should we wait for a solution when the tendency is widespread. This we must bear this in mind.

Recalling things requires one to look forward to the future. Bearing in mind the revolutionary deeds and spirit of the deceased, from which we gain some teachings, will encourage us to make progress.

Commentator on Plain Living, Hard Struggle
HK0704014989 Guangzhou NANFANG RIBAO
in Chinese 3 Apr 89 pp 1, 3

[Commentator's article: "The Spirit of Plain Living and Hard Struggle Should Never Be Discarded"]

[Text] In speaking about the 10 years of reform, Comrade Deng Xiaoping recently pointed out: The most important lesson is failing to tell the people and communists to maintain the tradition of plain living and hard

struggle under the condition of developing and improving people's living standards. Through sober consideration, we believe that this issue is greater than other problems, including inflation. Only by going through several years of plain living and hard struggle will better and continuous development be possible. The above statement by Comrade Deng Xiaoping was set forth promptly, and has served as an alarm to awaken the deaf, with far-reaching significance.

In the 10 years of reform and opening up, China has actually scored great achievements in economic construction, with marked improvement in people's living standards. The GNP, national financial revenues, and average income of both urban and rural people have largely doubled. In 1988 alone, the GNP was 1,385.3 billion yuan, up by 11.2 percent from the previous year; national income was 1,153.3 billion yuan, up by 11.4 percent. The province's gross social output value was 225.082 billion yuan in 1988, up by 25.4 percent from 1987; and its national income was 87.844 billion yuan, up by 16.9 percent. All this shows that the achievements of reform are inspiring. However, China remains rather backward economically, despite great development in its economy, because of its weak foundation and enormous population. The per capita GNP of major developed nations is around 30 times that of China. The gap in per capita national income can be still greater. The per capita national income of major developed nations can be 100 times that of China. These are precisely China's national conditions. To build China into a powerful, democratic, and civilized modern socialist country will involve a pioneering spirit characterized by plain living and hard struggle. Both Chinese and foreign history prove that the pioneering spirit characterized by plain living and hard struggle is an invaluable weapon. Anyone armed with this spirit will deal correctly with any difficulties on the way to progress, go all out to make progress, and be successful in his work. Armed with this spirit, a nation will make all its people rise with force and spirit, and rouse themselves for vigorous efforts to make the country prosperous, and consequently stand among the world's advanced nations. Obviously, the pioneering spirit characterized by plain living and hard struggle is a sharp spiritual weapon for us to get rid of the phase of backwardness and poverty, and to realize the rejuvenation of the Chinese nation. It is precisely because of this that the CPC has regarded this as the principle for building the nation. In the report delivered to the 13th CPC Congress, Comrade Zhao Ziyang explicitly proposed: "It is necessary for us to adhere to the principle of plain living and hard struggle, and building the nation through thrift and hard work over a long period of time."

However, some people have forgotten the principle of plain living and hard struggle, and building the nation through thrift and hard work. Some units, including some party and government leading departments, have focused their attention on enjoyment, while competing with each other in luxurious practices out of vanity, with a strong desire for consumption. They have gone in for

the practices of arbitrarily launching projects of luxurious buildings, importing luxurious cars in great number, pursuing modern office equipment, eating and drinking extravagantly, holding banquets and sending gifts at the expense of the state, and so on and so forth. The consequences are too rapid growth of consumption demand and the grave problem of loss of control over institutional purchasing. Incorrect understanding regarding the pioneering spirit characterized by plain living and hard struggle exists among some cadres, workers, and staff, as well as among the masses. Some people who are in their sixties or older hold that they suffered long enough in the old society, and are entitled to enjoy life now that they are in a socialist society. Moreover, their children and grandchildren should lead a comfortable life. Therefore, they promise anything, reasonable or unreasonable, their children demand. Some young people believe that the older generation suffered because they were ill-fated, and that the younger generation now lives in a different age and a socialist society, and should enjoy life to the fullest. Therefore, they compare their consumption with others' and spend without restraint to puff themselves up quite beyond their means. To satisfy their vanity, some of them become reckless and violate the law in pursuit of money, thus ending in spoiling their own future. "Reviewing history, many states and families rose on the strength of plain living and hard struggle, and many others declined out of luxury." This statement is an ancient saying based on the life experiences of ancient people, and a golden saying at that, which can still enlighten us today.

Of course, when we talk about plain living and hard struggle, and building the nation through thrift and hard work, we do not mean to negate the principle of material interests, and to lower people's living standards, nor do we imply that people should go in for asceticism. We aim to awaken the tremendous enthusiasm and creative spirit of the party and the people of all nationalities of the country to devote themselves to the four modernizations, and to lay down a solid material foundation for improving their living standards. It will only go against popular feeling should we harp on the same old tune that "the poorer someone becomes, the more revolutionary he is," that "it is honorable to become poor," and that "people will become revisionist when they become rich." Comrade Deng Xiaoping dealt with this issue long ago: No equals sign should be placed between poverty and socialism. It is precisely to get rid of poverty that we are engaged in reform and construction. Therefore, by no means should we turn back to the old track of "transition to socialism in poverty" now that we are advocating the pioneering spirit characterized by plain living and hard struggle!

To advocate plain living and hard struggle, it is necessary to start with leading cadres. Only when leading cadres take the lead will the implementation of the slogan plain living and hard struggle be possible. In the difficult days of revolutionary war, it was precisely because of the bitter struggles of our cadres, especially leading cadres,

who played an exemplary role among the soldiers by placing public interests above all else and not fearing sacrifices, that they mobilized and led millions upon millions of people to defeat all Chinese and foreign reactionaries, and eventually founded New China. In the early sixties, China was confronted with grave economic difficulties. It was also because of the cadres, especially leading cadres, who brought forward the fine style of plain living and hard struggle, shared the same boat with the people, tightened their belts, and pinched and scraped that the people got over the difficulties under their leadership in a matter of only 3 years. In the course of reform and opening up today, we have met with difficulties on our way to progress. However, the masses do not worry so much about the difficulties facing us, but about impotent leadership. Therefore, so long as our cadres, especially leading cadres, play an exemplary role in implementing the spirit of plain living and hard struggle, and share weal and woe with the masses in action, not just in lip service, they will certainly surmount the difficulties on the way to progress, while reform will be carried out in depth.

Leading cadres taking the lead in bringing forward the pioneering spirit characterized by plain living and hard struggle is what is needed today in surmounting the temporary difficulties surfacing in reform. Moreover, its far-reaching significance lies in forever bringing forward this fine tradition, and passing it on to our successors, since building socialism involves plain living and hard struggle for 10 years, 20 years, a century. However, some worrying negative phenomena have surfaced in society today. Incorrect understanding and unhealthy ideas, such as "money is everything," "the end—making money—justifies the means," the pursuit of an easy, pleasure-seeking life; profiting by the labor of others; and unwillingness to devote oneself to the cause of socialism have contaminated the social atmosphere, and corrupted the minds of the younger generation. Should we fail to educate young people and teenagers in the spirit of seeking truth from facts, self-reliance, plain living and hard struggle, serving the people heart and soul, and sharing weal and woe with the masses, some of them will become dandies and fastidious young ladies. Will such young people be capable of taking on the responsibility for the four modernizations? Will they be capable of fulfilling the historical mission entrusted to them by the party and the people? History indicates that such people will only ruin China! Therefore, aside from giving play to their pioneering spirit characterized by plain living and hard struggle, communists and cadres, especially senior cadres, should pass on fine traditions to our successors in life and work, and help and bring them up, so that the pioneering spirit characterized by plain living and hard struggle may be forever handed down from one generation to another.

An ancient Chinese poem reads: "Were it not for the bitter winter cold, could there be the sweetness of the plum blossom?" "The full bloom of a sweet flower lasts

no more than a day, while a pine tree will stand the cold of the whole winter." Let our will be tested in plain living and hard struggle, while making contributions to the four modernizations!

Party Appeals to 'Selfless' Spirit

HK0704010989 Hong Kong SOUTH CHINA
MORNING POST in English 7 Apr 89 p 11

[BY Willy Wo-lap Lam]

[Text] The Chinese mass media is frantically appealing to the political consciousness of people in the on-going campaign to "cure the economic environment and rectify the economic order".

The promotion of what Chinese Communist Party ideologues call "thought and political work" comes at a time when the leadership is down-playing market mechanisms and re-emphasising centralised control of the economy and other socio-political activities.

"Before economic reform hit the wall in mid-1988, reformists led by General Secretary Zhao Ziyang relied on material inducements to goad the people to work harder," said a Western diplomat.

"At a time when the country is trying to hold down inflation by cutting bonus payments and discouraging consumption, however, the stress is on motivating people by appeals to spiritual values."

According to analysts, party functionaries are reverting to practices, first used by Chairman Mao Zedong, of asking people to selflessly devote themselves to the communist cause.

At the recently-concluded National People's Congress, the Government vowed to raise the budget for education by five billion yuan (HK\$10.5 billion).

According to Prime Minister Li Peng, however, "education" includes "thought and ideological work," that is, raising the level of communist rectitude among the people.

Inside factories, too, efforts to pull up the communist consciousness of workers are in full swing.

The importance of spiritual values formed the thrust of a recent talk given by Mr Zhao, who has apparently trimmed his sails according to prevailing political requirements.

"Ideological and political work must suffuse production, management, distribution and other aspects (of factory work)," said Mr Zhao.

"Material incentive must be well integrated with political work."

A key element of the new emphasis on ideology is to remind people that they must inherit the grand Chinese Communist Party (CCP) tradition of "hard work and plain living."

In his recent talk to a foreign dignitary, senior leader Deng Xiaoping said one of the major errors of the past 10 years was "not having told the people and CCP members to keep up with the tradition of hard work and plain living".

Another important content of ideological promotion among both civilian and military units is the idea that, as Mr Deng put it, "what the central authorities say counts."

Regional and subordinate units are asked to obey the orders of party and government headquarters in Beijing.

As the PEOPLE'S DAILY said in a recent commentary, "party and government leaders at all levels must enhance their consciousness of abiding by disciplines ... and resolutely implement the principles, policies and measures formulated by the party Central Committee and the State Council."

The third prong of the ideological campaign is the propagation of the ideals of patriotism, stability and unity.

A common theme of the marathon series of meetings organised by party and academic units to celebrate the 70th anniversary of the May Fourth Movement is to goad the people to sacrifice themselves for the glory of the nation.

The populace—especially intellectuals—are also reminded that economic and political reform must not be waged at the expense of stability and unity.

Premier Li noted this week that "in the present circumstances, we specially need a stable situation, which is in the interest of the Chinese people".

The authorities, however, are eager to stress that they are not making light of "material incentive".

"Of course, our talk about hard work and plain living and thriftiness does not mean we are negating the principle of material benefits, and that the living standard of the people will come down," said a commentary in the Guangzhou-based NANFANG RIBAO.

There are indications, however, that the ideologues' invocation of orthodox values may be falling on deaf ears.

In those factories that fail to pay workers an adequate level of bonuses, industrial action such as going slow or strikes are becoming common.

Hu Qili, Others Meet Youth Forum Delegates

OW0704093489 Beijing Domestic Service in Mandarin
1600 GMT 4 Apr 89

[Text] Hu Qili, Tian Jiyun, Li Tieying, Song Renqiong and responsible comrades of the central ministries, departments, and commissions met on 4 April. They had a group picture taken together with the delegates to the forum of middle-aged and younger people on theory and practice of the reform in the past 10 years.

Speaking to the delegates, Hu Qili said reform needs theoretical support. He hoped more and constructive suggestions will be forthcoming from the delegates.

Further on Rui Xingwen on Education on Situation

OW0704080089 Beijing XINHUA Domestic Service
in Chinese 1509 GMT 2 Apr 89

["Local Broadcast News Service"]

[Excerpts] [passage omitted covered by item entitled "Rui Xingwen Addresses Ideological Meeting" published in the 5 April China DAILY REPORT on page 37, column 1] Rui Xingwen said: It was brought up at the 3rd Plenary Session of the 13th CPC Central Committee that the education on the current situation should be taken as a new starting point for the ongoing ideological and political work. The ideological and political work in enterprises, therefore, must be focused on the education on the current situation. The most important thing here is to guide people to correctly look into and analyze the situation. They should be taught to tell the mainstream of things from their tributaries, differentiate the whole from the part. They should also be taught to look into the existing problems and difficulties encountered from a dialectical, evolutionary standpoint, and seek to convert negative factors into positive ones. If we only talk about the existing problems and look only at the dark side, without any mention of the achievements or the mainstream, we will only rock and lose people's faith in reform, and set them into defeatist sentiments where they see no future nor the bright side of things.

He said: In the education on the current situation and ideological and political work, we should constantly propagate the practice of plain living and hard work, and, once the economy prospers and people's living improves, we should urge the party and the nation to keep up the tradition of plain living and hard work. [covered passage omitted]

Wang Fang on Importance of Resident ID Cards

OW0604183789 Beijing XINHUA Domestic Service
in Chinese 1402 GMT 4 Apr 89

["Local Broadcast News Service"]

[Text] Beijing, 4 Apr (XINHUA)—Prior to National Day, China will implement an ID card system to identify and check residents. Wang Fang, state councillor and minister of public security, today reminded every citizen to always carry their ID card.

Speaking at today's National Conference on the Work of Resident ID Cards of the Whole Nation, Wang Fang said: In social, economic, or legal activities, the resident ID card produced by a citizen should be regarded by the department concerned as the primary and legal certificate of the holder's individual status.

Wang Fang pointed out that implementing the resident ID card system is an important improvement of China's state administrative management system. The resident ID card is unique to a Chinese citizen and can be used to prove his or her status at any time. The ID card provides a great convenience to the masses and serves as an important and effective tool for managing social activities by the public security organs, particularly in managing and controlling the floating population.

Peng Zhen Inspects Hubei, Views Party Issues

HK0604005789 Wuhan Hubei Provincial Service
in Mandarin 1000 GMT 5 Apr 89

[Text] Comrade Peng Zhen recently inspected Hubei at the grand old age of 87. After listening to a report delivered by a responsible comrade of the provincial party committee, he made an important speech on the party's ideological line of seeking truth from facts, ideological education, party leadership, and party-building.

Comrade Peng Zhen arrived in Hubei on the afternoon of 30 March after inspecting Guangdong and Hunan provinces. On the afternoon of 1 April, Provincial Party Committee Secretary Guan Guangfu delivered a work report on behalf of the committee. Comrade Peng Zhen made an important speech after listening to this report.

On the party's ideological line of seeking truth from facts, Comrade Peng Zhen said: All localities must resolutely implement the central authorities' intentions and work arrangements. It is essential to be unswerving in this, no matter how great the difficulties encountered. However, in the course of implementation, it is essential to proceed from reality, uphold the ideological line of seeking truth from facts, and integrate the central intentions with local realities.

On the question of ideological education, Comrade Peng Zhen said: We must seriously grasp education for party members, cadres, workers, peasants, intellectuals, and students. Comrade Xiaoping has said that mistakes have occurred in education in China in recent years; this refers not only to running schools but also to ideological education in all fields. If the thinking of the cadres and masses is basically unanimous, all difficulties can be overcome. However, it is essential to distinguish between right and wrong; right is right and wrong is wrong, and there must be no ambiguity. We must sum up experiences and lessons and persistently grasp things with two hands; on the one hand we must persevere in reform and opening up and develop the productive forces; on the other we must step up work in the ideological and political field. Erroneous ideas cannot be

allowed to spread freely, but it is essential to persevere in setting out the facts and speaking reason in resolving ideological problems. If ideological problems are not solved well, no other work can be done well.

On party leadership and strengthening party-building, Comrade Peng Zhen said: The CPC is the core leading reforms and the four modernizations drive. It is extremely important to uphold party leadership and strengthen party-building. Every party member should, in accordance with the demands of the party constitution, maintain a high degree of ideological unity with the CPC Central Committee, firmly establish the concept of wholeheartedly serving the people and socialism, and unswervingly carry out the party's basic program.

Comrade Peng Zhen said: In strengthening party leadership, it is necessary to uphold democratic centralism. The leading comrades must be good at listening to and concentrating everyone's views and following the mass line. If your Hubei Provincial CPC Committee can concentrate the views of the party members and masses throughout the province and succeed in coming from the masses and going to the masses, that shows the very highest ability. Lenin said in Chapter 2 of "Left-wing Communism: An Infantile Disorder:" Communist Party members must have iron discipline. First, they must be infinitely loyal to the party and do everything for the cause of revolution. Second, they must be skilled at linking with the masses. Third is correctness of principles and policies. And whether the principles and policies are correct is something that must be tested by the masses in practice. These tenets are very important.

Comrade Peng Zhen said: Through strengthening party-building, we should bring closer the relations between party and masses. When we encounter problems we should consult the masses, and eliminate official airs. We must go deep among the masses instead of staying above them.

On economic construction, Comrade Peng Zhen said: For expanded reproduction, we should switch from mainly relying on external assistance to mainly relying on internal factors. We must proceed from reality and simultaneously promote domestic-oriented and export-oriented production.

Comrade Peng Zhen said: The enterprises should tap internal potentials and follow the path of mainly relying on internal factors for expanded reproduction. The key to following this path lies in mobilizing the initiative of the workers and technicians and strengthening their sense of responsibility as masters of the house.

Responsible comrades of the provincial party committee and the departments concerned including Zhao Fulin, Qian Yunlu, Zhong Shuqiao, Chen Ming, Shen Yinluo, Shi Chuan, Xu Penghang, (Bao Yunlan), and (Wang Chongwen), and Han Ningfu, a member of the Central Advisory Commission, attended this report meeting.

On the afternoon of 3 April, Comrade Peng Zhen inspected with great interest the Hubei (Guishan) radio and television tower, the Yellow Crane Pavilion, and other buildings. Guan Guangfu, Han Ningfu, and Wuhan City CPC Committee Deputy Secretary (Xie Peidong) accompanied him.

Bo Yibo, Peng Zhen Initiate Association
OW0604143789 Beijing XINHUA in English
0915 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—An association was set up Wednesday [5 April] at Beijing University to study the life and career of co-founder of the Communist Party (CPC) of China Li Dazhao.

The Association was initiated by senior Chinese leaders Peng Zhen and Bo Yibo, as well as about 70 other senior revolutionaries, and is sponsored by the party history research section of the Central Committee of the CPC and Beijing University.

A professor at Beijing University in the early decades of this century, Li was a pioneer of the communist movement in China. He was murdered by warlord Zhang Zuolin in April 1927.

New Academic View on Chinese Culture Advanced
HK0704070889 Beijing ZHONGGUO XINWEN
SHE in Chinese 1412 GMT 3 Apr 89

["A Mainland Scholar Points Out: 'Culture for Class Struggle' Should Be the Main Topic of Current Discussions on Chinese Culture"]

[Text] Beijing, 3 Apr (ZHONGGUO XINWEN SHE)—The discussions held on the mainland on Chinese culture over the past 2 years among scholars both at home and overseas, is regarded as a new enlightenment in China following the May 4th New Cultural Movement of 1919. However, a research fellow of the Institute of Philosophy under the Chinese Academy of Social Sciences, named Wang Pengling (3769 7720 0109), takes a different view of the question. In his viewpoint, the May 4th New Cultural Movement of 1919, holding aloft the banner of "science" and "democracy," propelled the extremely complicated cultural movement at that time toward a common goal. Nevertheless, the current discussion on Chinese culture appears to be brisk and seemingly presents an atmosphere of letting a hundred schools of thought contend. But so far it has been unable to hold a banner which can attract the majority of people to assemble under it. Meanwhile, it is also doubtful whether the target of the discussion on ancient Chinese traditional culture can hit home or not.

Wang Pengling points out: The stress of the current discussion on Chinese culture should be placed on analysis and criticism of the "culture for class struggle" and

the "culture for revolution," and particularly on a reunderstanding of classical Marxism and traditional Marxism. The scholar held aloft the "banner" in his lengthy article published today in GUANGMING RIBAO, entitled "On Choices of Contemporary Chinese Culture—to mark the 70th anniversary of the May 4th Movement".

He believes: The social change in the past 70 years since the May 4th Movement has brought about radical changes in Chinese culture, the face of China and the Chinese way of living. The most prominent change is that Marxism-Leninism-Mao Zedong Thought became a theoretical basis for people's mentality. The guiding and predominant position of Marxism-Leninism-Mao Zedong Thought in the ideological sphere made us stress ideological struggle in our cultural policy. As a result, present Chinese culture as a whole has formed a unique pattern which is different from both Western culture and ancient Chinese traditional culture. Its salient feature is that Marxism-Leninism-Mao Zedong Thought is its spiritual kernel and structural frame.

On analysis, he also said: The cultural tradition that the Chinese of our time are facing is the one which deems all cultural activities and products the means or tool of class struggle, measures advantages and disadvantages to the revolutionary cause of a so-called revolutionary class as the highest and even the sole standards for all the value of culture, and organizes all cultural establishments and carries out all cultural production to meet the need of intensifying class struggle and revolutionary dictatorship corresponding to it. Such a cultural tradition which can be termed as the "culture for class struggle" and the "culture for revolution" is in direct conflict with the progress of China's modernization which is primarily based on peace and development. This is mainly because the theme of Marxism-Leninism-Mao Zedong Thought—class struggle and proletarian revolution which people usually take it as a theoretical guidance has lagged behind China's socialist cause and the development of the times.

Wang holds that this type of cultural pattern, which people have accumulated and built with their own hands, should be the major foothold for current discussions on Chinese culture.

He also maintains that socialism and communism lack scientific rational spirit and have a pronounced utopian color and the philosophy of traditional Marxism also ignores and even repels humanism. Since the May 4th Movement, historical facts have repeatedly proven that total Westernization gets nowhere in China because the "culture for class struggle" or the "culture for revolution," which is in conflict with the progress of modernization was built up under the guidance of traditional Marxism characterized with the theme of intensifying proletarian revolution. Then the crux to eluding the conflict lies in whether we can modernize Marxism, namely, discard its classical and traditional form, and then create a modern Marxism. At the same time, we must gradually transform current Chinese "culture" and

change it into a cultural pattern with modern features. And this should be the general orientation for cultural construction at the present time. In this sense, there is no harm in taking "modern Marxism" or the "modern form of Marxism" as a banner indicating the direction of discussion on Chinese culture and cultural construction at the present time.

Treatment of Intellectuals Viewed

HK0704021289 Beijing RENMIN RIBAO in Chinese
31 Mar 89 p 2

["People's Forum" column by Mi Bohua (4717 0590 5478): "How To Treat the Intellectuals"]

[Text] Gao Di, vice president of Central Party School, said recently, in quoting the words of a leading comrade in the central authorities, that science and technology are the first productive forces and intellectuals should move from the old ninth position to the first position (see "SHANGHAI KEJI BAO" [SHANGHAI SCIENCE AND TECHNOLOGY JOURNAL] 10 Feb). This deduction is without doubt, logical. But the problem is that in real life, it is not easy to be "the first." When we talk about the problems of intellectuals, it seems that we are excited only about the issues of housing, banknotes, and cars, as if when these problems are solved, the "first position" is established (of course we should solve these problems one-by-one). But there is a big pitfall in this, that is, in the issue of how to look at intellectuals there are many obscure old ideas and concepts, not to say prejudice and misunderstanding. This may be the main reason many intellectuals are in a bad mood.

In China, there is a tradition of respecting intellectuals, and we do not have to cite any books containing the stories or mottoes of respecting intellectuals; undoubtedly they are vivid and moving. Paradoxically, these stories covered the greatest grief of the intellectuals. This is because throughout history, and without exception, intellectuals were treated as tools. They are intelligent and wise, and no one can deny that the knowledge in their heads is an asset for governing the state and establishing hegemony. Even an illiterate and ignorant man would not forget to ask a Xiucai [junior scholar with imperial degree] for help in making a decision. It is exactly here we see the prejudice, as Lu Xun said, intellectuals can either "help busily" or "help leisurely." The former is for consultation on national policy; the latter, the "favorably treated reserves" of officials. I have mentioned these historical facts in order to correct a misunderstanding: It is not because we have to launch a missile that we recognize the usefulness of intellectuals; it is not because we cannot operate a computer that we think of hiring a scholar to help; and it is not because we do not have a good horse that we particularly love a horse capable of running a thousand miles... Our modernization endeavor is basically different from "establishing hegemony;" it follows the calls of advancement and civilization, therefore we should, and can combine this great endeavor with intellectual civilization. That is

to say, there is something more important than respecting knowledge, that is, perhaps, every planner, organizer, and executor of the modernization should become a member of the intellectuals, and we should abandon from our sentiment and vocabulary the insulting ideas and words like "utilizing a single aspect of the skill of intellectuals."

Sociologists have come to the same point that intellectuals should be such a group: They have the noble mission of exploring and criticizing. Their creative and constructive characteristics are revealed through their carrying out the mission. There rests the real value of intellectuals. They could be collector-dispatchers performing clerical duties badly, and perhaps even possess many weak points in "being a man," but they cannot be without the spirit of exploration and criticism. In other words, they cannot lack the curiosity for some unknown aspect, or the enthusiasm for transforming society and promoting new life. If someone lacks such curiosity and enthusiasm, whatever his academic qualification may be, his title of intellectual is simply not real. I have repeatedly discussed the definition of intellectual because I want to make clear for what an intellectual truly deserves respect. Obviously, at this moment of changes in which the old culture and old rule are still standing like hard walls, whereas the new culture and new rules are searching for a way, it is wise to protect and even promote these outstanding qualities of intellectuals to enhance their spirit in exploration and courage in criticism. In the 10 years' reform, had there not been the liberation of the mind, concentration in exploration, and spirit of criticism, China would not have experienced such a great change.

Our party and government have done some work in improving the quality of life for intellectuals, and more will be done in a better way, but this is not a special benefit. Nonintellectuals also need housing, gas, and adequate water supply, and intellectuals will understand this point. This is because the mark of development is the fact that more people are becoming intellectuals, with the result that there is no need to rank positions. We want to improve, and the real, far-reaching significance of improvement is to bring about a culture, a fashion, and a social standard in which people really respect the intellectuals who contribute to the advancement of society with their assets of knowledge. Until then, there will be no need to talk about the problem of status.

Writers Urged To Respect Minorities

HK0704005289 Beijing CHINA DAILY in English
7 Apr 89, p 3

[By staff reporter Cheng Hong]

[Text] The State Nationalities Affairs Commission has called on Chinese writers and publishing houses to respect the sensitivities of the country's 55 ethnic minority groups and avoid provoking misunderstandings between them and the Han majority.

An official with the commission's cultural department told CHINA DAILY that regulations dealing with publications on minority themes had been issued twice in the past five years, most recently in 1987, and had recently been reaffirmed by the commission's senior officials.

In the past decade, he said, many writers and artists had looked to obscure aspects of remote ethnic minorities as material for their works.

"We appreciate their work but at the same time some artistic works have some improper description and statements about our minority peoples, some used improper words and some vilified their images," he said.

He cited two stories—"The Remote White House" and "Stick Your Tongue Out Of Your Mouth Or Leave It Empty"—as infringing on the feelings of the Kazak and Tibetan peoples and being socially disruptive.

He said the commission felt that all writers and publishers should be "very careful" with works concerning ethnic minorities.

Writers who are not sure about the nationalities policies, he said, should consult local authorities or nationalities affairs departments.

Editors of newspapers, magazines, publishing houses, broadcasting stations and film studios should also be careful when dealing with such subjects, he said.

Abdushukur Turdi, a Uygur deputy-to-the recently ended National People's Congress told CHINA DAILY that both the Hans and the ethnic minorities should understand and respect each other more.

"We encourage the Han people to come and write about us, but we hope they will respect our traditions and religious beliefs and value our national feelings," said the deputy.

End to Prize-Winning Activities Urged

OW0704061489 Beijing XINHUA Domestic Service
in Chinese 1336 GMT 2 Apr 89

["Local Broadcast News Service"]

[Text] Beijing, 2 Apr (XINHUA)—In recent years there has been an upsurge of "prize-winning" activities in factories, monetary, commercial, civil affairs, and other departments. Some activities pooled idle funds from society to alleviate the shortage of funds for national construction and for social welfare organizations. Some activities, however, compete with the state for society's idle funds and swindling consumers in addition to giving rise to some other problems.

Some units and departments have organized "prize-winning" activities without authorization in order to get hold of society's idle funds that should have gone into state banks and should have been used for supporting social welfare organizations. This has resulted in declining bank deposits, thus aggravating the shortage of funds for state key construction projects. To attract lottery buyers, some units have used blankets, jewelry, color television sets, video cameras, motorcycles, and houses as prizes. To win prizes, some people have exceeded their financial capability to buy lottery tickets. As a result, some have committed crimes. Besides, most of these unauthorized "prize-winning" activities are not legally notarized. As a result, some units have made use of such activities to market inferior products. Some units have compelled enterprises and individuals to buy their lotteries. Still some other units have drawn blank lotteries to swindle buyers. Therefore, to put an end to "prize-winning" activities of all descriptions has become an urgent task at present.

Science & Technology

Satellite Ground Station Equipment Developed *OW0604080189 Beijing XINHUA in English 1155 GMT 5 Apr 89*

[Text] Shanghai, April 5 (XINHUA)—A complete set of equipment developed for a satellite ground station with an 11-meter-long parabolical diameter will be a key factor in China's domestic satellite communications network, according to a senior official with the Ministry of Posts and Telecommunications.

Xie Gaoju, vice-minister of posts and telecommunications, made the remark at an appraisal meeting on the newly-developed equipment.

The equipment, developed by the Shanghai-based No 1 Research Institute of the Ministry of Posts and Telecommunications, can transmit television programs and receive high-quality TV signals.

All of its technical indexes conform to standards set by the International Telecommunications Satellite Organization.

The equipment will be mainly used in satellite ground stations located in Chinese provincial capitals.

China has established a domestic satellite communications network with Beijing as its center, linking thousands of satellite TV receiving stations across the country.

Replacement Refrigerant for Freon 12 Invented *OW0604033489 Beijing XINHUA in English 1102 GMT 4 Apr 89*

[Text] Beijing, April 4 (XINHUA)—A Chinese scientist has invented a new refrigerant to replace freon 12, one of the freon series depleting the ozonosphere, the earth's protection layer.

Gu Chujun, a senior engineer at the Beijing Space and Aviation University, has named his invention "Gu-Thermodynamic Cycle".

Due to the abuse of freon, a hole in the ozone layer has appeared above the South Pole. An international conference in Montreal, Canada, in 1987 reached agreement that the use of freon will be completely forbidden by 1998.

Experts say Gu's system will have a profound influence on future refrigerating, air-conditioning and heat fluid electricity generation systems, and will contribute to the world's energy utilization and environmental protection.

In Gu's lab, two modified refrigerators have been working smoothly since they were set going last December.

Compared with ordinary refrigerators, there has been a decrease in electricity consumption by up to 40 percent.

New Oil Survey Technology Developed *OW0604082589 Beijing XINHUA in English 0737 GMT 6 Apr 89*

[Text] Beijing, April 6 (XINHUA)—Chinese scientists have developed new computer technology that can provide three-dimensional images of geological structures for oil prospectors.

Developed by a group of scientists headed by Yu Shou-peng of the Physical Prospecting Bureau of the Ministry of Energy Resources, the technology has been turned into software for the "Galaxy" computer system, China's largest.

Based on two-dimensional data from seismological prospecting, the software can work out three-dimensional images of geological structures that will help geologists to precisely locate oil reserves. It will also cut the cost of field work.

According to the latest issue of the "CHINA PETROLEUM JOURNAL," application of the technology to the Jilin oilfield has brought 1.1 million yuan (297,300 U.S. dollars) in economic returns.

Coastal Oceanological Data Network Established *OW0404184389 Beijing XINHUA in English 1526 GMT 4 Apr 89*

[Text] Tianjing, April 4 (XINHUA)—An oceanological data network has been set up along China's coastline from the South China Sea to the Bohai Sea, according to an official from the National Oceanological Data Center.

Using buoys equipped with automatic facilities, the network monitors wind direction and speed, temperature, humidity and atmospheric pressure on the sea, as well as the direction and speed of water flow, the state of waves, and the temperature and salt content of the water, the official said.

The data are transmitted to the national center via satellite, where they are processed by a computer system.

The official said the network will provide important information for the economic development in coastal areas.

First Chinese Ultra Centrifuge Produced
OW0504112189 Beijing XINHUA in English
1104 GMT 5 Apr 89

[Text] Shanghai, April 5 (XINHUA)—The first ultra-centrifuge in China has been developed in Shanghai.

The country used to depend on imports for the equipment, which is used for the separation, condensation and extraction of biological samples used in medical, biochemical, agricultural and biotechnological research.

The machine, developed by the Shanghai Centrifuge Research Institute, has a rotation speed of 50,000 rpm and can reach ultra-vacuum requirements in 20 minutes.

The Veterinary Institute of the Shanghai Academy of Agricultural Sciences has already used the new ultra-centrifuge to extract rabbit virus of hemorrhagic fever with satisfactory results.

Economic & Agricultural

Plans for Second Daya Bay Nuclear Plant Denied
HK0604083189 Hong Kong HONGKONG STANDARD
in English 6 Apr 89 p 1

[By Tammy Tam of the China Desk]

[Text] China yesterday officially denied it planned to build another nuclear power-plant at Daya Bay.

It also said it had not asked Guangdong authorities to conduct a feasibility study on the project.

Mr Wang Wenzhe, spokesman of the Energy Ministry under the State Council, said he had no information on the widely reported new plant for Daya Bay.

But the head of the planning section of the Guangdong Power Planning Institute, Mr Chen Shouzheng, said it was given the task of site selection by the Energy Ministry and the provincial government.

"We were asked to conduct the feasibility studies by the Ministry early this year and, of course, the provincial government," Mr Chen said.

He said work had not started on investigations into whether Daya Bay would be suitable for another plant.

"We will do that in the second stage of our job," he said.

The first stage was focused on Taishan, a county in southern Guangdong.

Last week, technical adviser to the Chinese Nuclear Industry Development Corporation, Mr Jiang Shenjie, told some Hong Kong reporters Guangdong was going to build its second nuclear plant in Daya Bay next year, and that Soviet-made pressurised water reactors would be installed.

He also said Guangdong was doing feasibility studies which would be completed late this year.

This drew immediate objections from anti-nuclear groups and Hong Kong people.

Mr Wang said his ministry had not asked Guangdong to do the feasibility studies, but "I can look into the matter".

"Up to now, all the information I have got on the new nuclear plant is from the Hong Kong press. I personally don't know who Mr Jiang is. The Energy Ministry has not granted the right to Mr Jiang to talk about the construction of an additional nuclear plant," Mr Wang said.

He said the building of any nuclear plant would be planned by the state.

"The Energy Ministry has an overall plan for power development. Local governments can have their own intentions (for building nuclear power plant), but the final say is with the State Council," he said.

When asked whether China would use Soviet-made reactors in future, Mr Wang said: "We have not come to such specific arrangements."

The Soviet Union's deputy trade representative to China, Mr Anatoly Litiagin, had earlier said it was interested in helping develop nuclear power in China.

But Mr Chen said the selection of a site was not a simple matter.

"Daya Bay may not be the ideal site for the second plant because it is quite far away from Guangzhou, which consumes the bulk of electricity supply in the province," he said.

Daya Bay Fault Fears Renewed
HK0704004589 Hong Kong SOUTH CHINA
MORNING POST in English 7 Apr 89 p 3

[By Kenneth Ko]

[Text] A geologist who earlier this year claimed to have discovered a new seismic fault within seven kilometres of the Daya Bay nuclear power plant, yesterday cast doubts over a proposal to build a second station on the same site.

Hong Kong Polytechnic's senior lecturer in civil and structural engineering, Mr Maurice Atherton, said installing two more reactors there would inevitably increase the risks should a major nuclear mishap take place.

He said the fault still posed the risk of a major earthquake, although Chinese seismologists have dismissed the possibility.

"It is identified by China as inactive, perhaps, because they do not think it is a capable fault—a fault capable of causing a major earthquake," said Mr Atherton.

But a fault line could be considered active even if its chances of causing a earthquake were one in every 600 years, he said.

Mr Atherton said seismology in Hong Kong had been historically neglected.

"The early colonial government staffed its ranks with administrators, but few scientists and no geologists," he said.

"While the Highways Department in Hong Kong considers earthquake resistance in its designs, the Building Ordinance Office does not.

"If there had been a government geologist in the early days of Hong Kong, I doubt if building on the scree slopes of Mid-Levels would have been approved," he said.

Quoting Royal Observatory figures, Mr Atherton said two quakes took place on Lantau in 1982 and one in Mai Po the following year. They were probably caused by adjustments to stresses along active fault lines.

200 Projects Slated for 1989 'Torch Program'
OW0304130289 Beijing XINHUA in English
1108 GMT 3 Apr 89

[Text] Beijing, April 3 (XINHUA)—Two hundred projects will be chosen to launch China's high-technology "Torch Program", and foreign partners will be welcome to co-operate in it, a senior official said here today.

Shi Dinghuan, director of the "Torch Plan" Office of the State Science and Technology Commission (SSTC), said the chosen projects will mainly involve micro-electronics, information and communication, biotechnology, new materials, mechatronics (unification of mechanical components and electronics), new sources of energy and energy conservation.

He said a National Torch Foundation, to be set up soon, will support the most promising and most market-oriented to be selected from the more than 1,500 projects offered by local governments and institutes.

Shi said he hoped that overseas banks and businesses will be interested in the projects. Foreign technology, loans, experience in management and markets are imperative for China's high-tech industries, he added.

This year, he said, the "Torch Program" Office will hold two fairs with foreign businesses on "Torch" projects in China's coastal regions. Delegations to Hong Kong, Japan, the United States and some north European countries are also on the schedule.

China launched the program last August to develop high technology, particularly to promote its commercial development and eventually to establish industries based on it.

China has introduced some inducements, such as tax reductions on "Torch" products, to support the high-tech industries. The SSTC will also ask for passport application formalities be simplified for personnel in high-tech enterprises.

Price Increases Shrink Newspaper Circulation
OW0604080289 Beijing XINHUA in English
1231 GMT 5 Apr 89

[By correspondent Huang Xiaonan]

[Text] Beijing, April 5 (XINHUA)—A 20-year-old girl college student recently joined the ranks of newspaper vendors working at the entrances to subways, cinemas and department stores, or at bus stops and other public places.

Busily selling the "BEIJING EVENING NEWS" at a subway entrance in the center of Beijing, she said, "Since early this year, when price rises seriously hit newspaper circulation, many newspaper companies trying to open up new sales outlets have been hiring people like myself to sell papers."

The first month of 1989 saw a sharp decline in the circulation of newspapers and magazines all over China because of a sudden rise in prices caused by inflation in other sectors.

According to the State Statistics Bureau, China's price index in January this year went up by 26 percent compared with that of January last year.

Zhang Zhongji, a spokesman for the Bureau, said the index rise in January was caused mainly by rises in the prices of books, magazines and newspapers; increases ranged up to as much as 120 percent for newspapers and 100 percent for magazines.

Explaining the reason for this, Director of the Newspaper Bureau of the Press and Publications Administration Lin Fengsheng said the price of newsprint went up by more than 100 percent last year, while the prices of other printing materials and postage also rose rapidly.

At the same time, the State Council asked governments at all levels to cut administrative expenditure by 35 percent this year. In 1988 the central government demanded a cut of 20 percent in such spending.

As a result, newspaper and magazine circulations have shrunk by up to 32.5 percent since December. The circulation of major national newspapers published in Beijing dropped by 38 percent, that of local newspapers by 26 percent and that of magazines by 38 percent.

Du Daozheng, director-general of the Press and Publications Administration, blamed the rise in prices and the cutting of administrative expenditure for the big drop in newspaper and magazine circulations.

"Those who used to subscribe to newspapers at their workplace's expense," he said, "now have to buy their own, hence the sudden drop in circulation."

However, Du said, the shrinkage will force companies to make more efforts to sell their products.

In China more than 90 percent of newspapers and magazines used to be distributed by post. This created a big problem for people who lived long distances from local post offices.

"So we have suggested that newspaper and magazine companies open different outlets to cater for the large number of potential subscribers in rural and individual businesses, at bus stops, railway stations, subway entrances and in each street," Du said.

The "TIANJIN DAILY," published in Tianjin City, 120 km southeast of Beijing, was one of the first newspaper companies to take up this suggestion. Since last year, it has been selling through part-time vendors and mobile newsstands, holding the drop in circulation so far this year to only 13 percent.

Now, of the 4,200 newspaper companies in the country, more than 300 have followed suit and many others are trying to be at least partly independent of post offices.

In many cities newspapers and magazines are now available in grain and oil shops and the offices of neighborhood committees in each district.

In Du's opinion, the shrinking of newspaper circulations will also stimulate the improvement of newspaper quality and promote competition in the media.

In addition, Zhang Zhuoyuan, director and senior research fellow of the Institute of Finance and Trade of the Chinese Academy of Social Sciences, said that the shrinkage of circulations would ease the present paper shortages and help to slow paper price rises.

Army Unit Sells Coal at Higher Illegal Price
HK0604043589 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0634 GMT 4 Apr 89

["Chinese Army Involved in Illegal Reselling of Coal"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 4 Apr (ZHONGGUO TONGXUN SHE)—"ZHONGGUO WUZI BAO" [CHINESE MATERIALS NEWSPAPER], an organ of the Ministry of Materials, revealed the other day that a certain Army unit of Shanxi abused its privilege of transportation. It bought coal from small coal pits at a low price and resold it in eastern China at a higher price. The volume of such trade handled a year could reach 500 to 600 tons. Given a net profit of 10 yuan per ton, it could earn more than 50 million yuan [a year].

It was found that more than 140 units in Qinhuangdao, a well-known port city on the mainland, had engaged in coal trading. They included units under the government, Army units, organs, factories, companies of various kinds, tourist departments, religious groups, news units, physical culture circles, Army-related guest houses, sanatoriums for cadres, and so forth. In 20 days between September and October last year, the Harbor Materials Trading Department of the Qinhuangdao office of a certain department of the CPC Central Committee resold more than 40,000 tons of coal. It bought the coal at a price of 90 to 98 yuan per ton and sold it at 140 to 180 yuan a ton. With the deduction of transportation costs, each ton brought a profit of 25 to 60 yuan.

As far as these "officials involved in profiteering" who have used their given privileges or obtained privileges to make money are concerned, just the privilege of trading is far from being adequate. The most important thing is to obtain transportation—railroad cars. At present, the price for the assignment of a railroad car has increased from 300 yuan to 1,000 yuan.

A ton of coal costs not more than 30 to 40 yuan fresh from the mine. After numerous "links in China" and arrival at Shanghai, Guangzhou, and other coastal areas, such coal has risen in price to 200 to 300 yuan a ton. In fact, given the too low level of the government-stipulated coal price, coal mines have generally suffered losses, seriously affecting the development of the coal industry. Meanwhile, because of the sharp rise in the coal price and a substantial increase in production costs, industrial enterprises could hardly bear the burden. Both the coal-producing and marketing units have suffered from a shortage of funds and are in a plight. It is those "officials involved in profiteering" that have reaped a fat profit on the strength of their privileges. The defects of the mainland's economic and political systems have given them the chance to use their authority to make money.

Commentator on Equality for Economic Components
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30 Mar 89 p 1

[Commentator's article: "All Economic Components Should Be Treated Equally Without Discrimination"]

[Text] "With the four wheels of whole people, collective, individual, and private economy all turning together, we should allow whichever wheel that turns the fastest to turn the fastest." This is the guiding idea for economic development established in recent years by Qinghe County CPC Committee and government in Hebei Province, based on local realities. They have accurately identified the productive forces criterion and actively supported the development of individual and private economy. Before 1983 this was one of Hebei's 18 poor counties, which had to be subsidized by the state every year. In 1988 the county's industrial and agricultural output value was 570 million yuan, 330 percent more than the 1983 figure of 130 million. Big increases were also recorded in financial revenue and peasant incomes. The most basic experience of Qinghe County in effectively and rapidly extricating itself from poverty is that it has maintained a policy of developing a variety of economic components. Many areas in rural China as a whole have made a good start in extricating themselves from poverty and becoming rich as a result of seriously implementing this policy.

However, recently, due to certain situations in "improvement and rectification," an inability to treat different economic components without discrimination has emerged in some places. This has developed to the extent that some people wonder whether the policy on developing individual and private economy will be changed.

At the recently convened Second Session of the Seventh National People's Congress, a leading comrade of the State Council has explicitly pointed out with regard to this question that in saying that we cannot have privatization of China's economy, we mean that we must uphold the mainstay and dominant factor status of public ownership economy; as to the question of whether individual and private economy can be developed, this was long ago resolved by the 13th CPC Congress, and it should be said that this is no problem.

Why is it that the moment there is some change in the macroeconomic situation some people start to doubt and waver over the policy of developing a variety of economic components? It seems that in the present circumstances of improvement and rectification it is very necessary to reiterate and lay further emphasis on the theory, line, principles and policies of the 13th CPC Congress, to let the cadres and masses understand that, to develop the social productive forces, it is essential to maintain the policy of developing a variety of economic components and of management forms.

The 13th CPC Congress document pointed out: "The ownership structure in the initial stage of socialism should have public ownership as its mainstay. At present other economic components outside the whole-people ownership system have not developed excessively but have not developed enough. We should continue to encourage the development of urban and rural cooperative economy, individual economy, and private economy." This passage explicitly and specifically sets out the party policy on developing a variety of economic components. It should be realized that both the starting point and the fundamental aim of the party in formulating this policy are to develop the productive forces as quickly as possible to satisfy the ever-growing needs of the people in material and cultural life.

Since so-called economic components actually refer to ownership system relations, they are also social production relations. Basic Marxist theory tells us that the production relations must suit the development of the productive forces. However, for many years we turned this issue upside down; without looking at the actual development level of the rural productive forces, in establishing ownership system relations we took the view that "the bigger in size" and "the higher degree of public ownership" the better, with the result that the development of the productive forces was hampered instead of stimulated, and not even the peasants' food and clothing problems could be solved. On the question of the production relations, we have really tasted too much the bitterness of the "theory of the unique importance of class origin."

The 13th CPC Congress laid down the theory on the initial stage of socialism. In applying the viewpoint of the initial stage of socialism to view problems, we must realize that China's social and economic development remains very backward, while there are also big imbalances in development between different regions; developing a variety of economic components will help to develop the productive forces and suits the national condition in the current stage. The initial stage of socialism is a rather long period, hence developing a variety of economic components is a long-term party policy which should not change and will not be changed arbitrarily.

Since the rural reforms started, we have broken down the old pattern of "large in size and with a high degree of public ownership" and actively developed a variety of economic components. The peasants' enthusiasm for production has been given full scope, and discarding poverty and becoming rich have been translated from hopes into reality. The development situation of Hebei Province's Qinghe County illustrates this point very well. More or less the same applies in Zhejiang's Wenzhou and Anhui's Fuyang. Just think, if this policy was suddenly changed, this would certainly cause a big slide in production and the peasants who have just started to get rich would fall into poverty again; how could that be accepted by the cadres and masses?

Therefore, whether in theory or practice, we have ample reason for stating that the policy of developing a variety of economic components will not be changed.

Some comrades may hold that since we must uphold the mainstay and dominant factor status of public ownership economy, what should be done if private ownership economy predominates somewhere?

This worry is understandable, simply viewed from the question of component, but if we broaden our vision we should see that China is a vast country with big differences between different localities; viewed from the overall development level of the productive forces, even if private ownership economy predominates for a certain time and in a certain place, this will not affect the predominant status of the whole-people ownership economy, but can only play a supplementary and stimulating role.

In upholding the policy of developing a variety of economic components, it is necessary to follow Qinghe County in Hebei in treating all economic components equally without discrimination; so long as your returns are high, active support should be provided for individual economy and private enterprises, and they should not be neglected, or even suffer discrimination and attacks. This question merits particular attention during improvement and rectification work.

Private entrepreneurs should also strive to improve their quality, observe discipline and law, and actively develop production in order to attain their proper social status; if they engage in producing counterfeit goods and cheating people, they will end up ruining themselves, and that is not a path to be recommended.

Journal Summarizes Reform Experience
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[Article by Gao Shangquan (7559 1424 0356): "Sum Up Experiences, Deepen the Reforms"]

[Text] During the 10 years of reform our country has made great achievements and has also encountered many difficulties and problems. We have accumulated rich experience and have also learned some profound lessons, so we should now seriously sum up this experience in order to deepen our reform.

The reform orientation must be firmly maintained; reform steps should be both positive and prudent; the gradual nature and complexity of reform must be fully realized.

The new structure we are to build is a socialist planned commodity economy in which enterprises will become independent commodity producers and dealers in real terms. That is, they will decide their production and bear sole responsibility for their profits and losses. At the same time they also have self-development and self-regulatory mechanisms. We will give full play to the role

of the market mechanisms through the establishment and operation of a socialist market system. Our overall economic management will gradually shift to indirect management and regulation, and we will gradually form a new economic structure in which "the state regulates and controls the market and the market guides the enterprises." We should firmly adhere to this reform orientation. It will take a long time to achieve this objective so we must not be overanxious in deciding the concrete reform steps and must make advances steadily.

Reform is a long process of development wherein there are both "quick and slow variables." The "quick variables" include the narrowing of the scope of mandatory plans and the adjustment of some distribution relations; the "slow variables" include the growth and perfection of the markets, the improvement of cadre quality, and the formation of effective macroeconomic regulation and control. The "slow variables" will constrain the entire course of the economic structural reform.

The purpose of reform is to emancipate productive forces but reform is also constrained by the conditions of productive forces. The development of productive forces requires that production relations not be changed too frequently. Therefore we should more deeply understand the prolonged and gradual character of the reform process and the limitations of the short-term reform goals.

The theory about the initial stage of socialism points out the necessity and urgency of reform; on the other hand, it also determines that the target model of the reform will not be realized within a short time and the short-term reform goals cannot be set too high due to the constraints in the reform process and in forming the new systems.

We must take the development of a commodity economy in the initial stage of socialism as the definite objective for our reform. In the initial stage the commodity economy is not fully developed and the productive forces remain at a low level. In addition, development will be uneven. We are facing a shortage economy whose development is constrained by the shortage of resources. Cadres and the masses have not had a clear sense of the commodity economy and still lack experience in managing a commodity economy. All this determines that it will take a long time for us to complete the transition to a modern socialist commodity economy.

To handle reform, as in construction, we must not be overanxious for quick results. We should bear in mind the lessons from our previous overanxiety for quick results in socialist transformation. Reform is an evolutionary process and there should be no leaps and bounds. Reform cannot be fulfilled in one move. A qualitative change can be effected only through the gradual accumulation of many quantitative changes. Any attempt to make qualitative changes using artificial means will get nowhere. In the rural reform it took some 5 years to gradually spread the household output contract system from its experimental stage. Urban reforms will be much

more complicated than rural reforms, so it will take a longer time to fulfill the urban reforms. We must therefore have determination and confidence when carrying out reform and we must also fully realize the prolonged, complicated, and gradual character of reform. We must positively and prudently advance reform in light of the social and economic conditions.

Reform should be properly linked to economic stability and economic development.

Correctly handling the relationship between economic structural reform and economic stability, and economic development, is an important issue in reform and construction. The aim of our economic structural reform is to realize sustained, steady, and efficient economic development to change our country's backward economic conditions. Reform will give a great impetus to economic development for which the stability and development of the national economy provides a solid material foundation for further and in-depth development of reform. Therefore, the two sides complement and promote each other and they must be properly combined and coordinated.

If economic development is overheated or too cold, the reform process will be obstructed or retarded. Similarly, if the reform measures and steps do not fit in with the current economic development level and the actual conditions in the initial stage of socialism, they will also produce unfavorable influence on economic stability and economic development. Our practice in the past years has showed that economic development in our country may easily become overheated. Too high a growth speed, tensions in economic life, and inflation, will all obstruct the adoption of reform steps. At present we need to deeply study the questions of preventing overheated economic growth, curtailing excessive demand, maintaining an appropriate economic development speed, curb inflation, strictly control issuing currency and the scale of credit, and coordinate reform with economic stability and economic development so that the two sides will really promote each other. In short, we must use the measures for maintaining economic stability to guarantee the advance and in-depth development of reform and we must also consolidate economic stability and promote economic development through deepening the reforms.

It is necessary to grasp the central link of enterprise reforms tightly and to promote enhancement of economic results.

The key to comprehensive and in-depth reform lies in deepening enterprise reforms and enhancing economic results. Therefore the improvement of the economic environment and rectification of the economic order must be closely combined with in-depth enterprise reforms.

In-depth enterprise reforms should be linked with adjustment of the industrial structure, and both should serve the purpose of improving economic results.

Reform should result in invigorating the enterprises and the dynamics of the enterprises can achieve ideal macro-economic results only under the guidance of reasonable industrial policies. We do not mean that all enterprises will be invigorated because some enterprises which do not come into line with the industrial policies and which do not achieve satisfactory economic results should be closed down.

Our reform practice shows that enterprise reforms should be taken as a central link around which other reform steps can be arranged. This will ensure the continuity and stability of our reform principles and policies and will be favorable to long-term planning in the enterprises with regard to their reforms and construction. On the other hand this will also ensure the stability and development of the national economy and ensure that reform will advance healthily in a favorable social environment without causing unnecessary shocks to society. Therefore we may select the following option: Emphasis is first placed on enterprise reforms, especially the management reforms in large and medium-sized state-owned enterprises; the market will then grow alongside the advance of the enterprise reforms and a favorable market condition will be created for deepening the enterprise reforms; and reform of the macroeconomic management system can then be carried out in accordance with the advance of the enterprise reforms and the markets will play a regulatory role. It seems that this will be a reasonable and feasible option.

To carry out in-depth enterprise reforms it is necessary to adopt comprehensive rectification and coordination measures. At the same time reform of enterprise internal management should develop in the direction of separating management from ownership and should lead to the formation of self-motivating and self-adjusting mechanisms in the enterprises so that responsibilities, power, and interests can be properly integrated in the enterprise management system, and enterprises can really operate on their own and bear responsibility for their own profits and losses under the state's overall control. In the course of reforming the enterprise management system during the past few years, many localities have carried out various experiments, including contracting or leasing enterprises to managers, effecting enterprise mergers, forming enterprise groups, optimizing labor combination, and turning enterprises into joint-stock companies. Good results have been achieved in these experiments and useful experience has been gained.

This year, enterprise reforms should be focused on the improvement and perfection of the management responsibility system through the formation of competition, risk taking, and self-regulating mechanisms, and through serious implementation of the Enterprise Law and the Bankruptcy Law. Measures which have proved successful in practice and which are conducive to improvement, rectification, and reform, like the director responsibility system, the open tender invitation system, the measures for optimizing labor combination and for enterprise

mergers, should be carried forward. Some reform measures are desirable in the long run but the conditions for their extensive adoption are not yet ready. Measures like adoption of the joint-stock system, separation of taxes from profit delivery, and free operation should be experimented with in a prudent way. At present, the commodity economy in our country has still not developed and we lack experience in pursuing the joint-stock system. Thus, adoption of the joint-stock system should be advanced step by step in an orderly way and no reckless action should be taken on a large scale.

Price reform cannot be carried out without being supported by a favorable socioeconomic environment and other reform measures.

Price reform holds an important position in the entire economic structural reform and will play a significant role in adjusting the industrial structure, invigorating enterprises, reducing the financial deficit, opening up to the outside world, and straightening out unhealthy tendencies. Without carrying out price reform and rationalizing price parities we will not be able to win real victories in our reforms. However, our practice and the experiences of other nations all show that price reform is a very difficult and risky job, and is not a panacea that will cure every economic disease. Moreover, price reform must be supported by and coordinated with reforms in other fields. That is, only when price reform is combined with improvement of the economic environment, the enterprise reforms, market growth, and effective macroeconomic control, will it be able to achieve the expected results.

Price reform must not only come into line with the needs in the development of the commodity economy but it also must fit in with the bearing capacity of society and be advanced steadily and prudently. If we do not give consideration to the socioeconomic environment and still try to arbitrarily force ahead price reform when there is obvious inflation and when price reform is not supported by and coordinated with enterprise management reforms and reforms in other fields, then prices and wages will just take turns in rising and the old price parities will remain unchanged. This will merely cause more chaos in the economic life.

The key to curbing inflation lies in strengthening macroeconomic control, cutting down on demand, and increasing effective supply.

The main task in improving the economic environment is to curb inflation. In recent years, obvious inflation has appeared because the scale of capital construction grew excessively, production increased too rapidly, social consumption increased at a rate higher than the production growth rate, gross social demand far exceeded gross social supply, and too much currency was issued. Our practice during the past few years shows that we could not take the road of seeking development through inflation because this is just a blind alley.

During the past few years our investment in fixed assets increased too quickly, and the investment scale kept swelling to a degree far exceeding our country's capacity. In the 3 years between 1986 and 1988, capital investment in society increased by an average annual rate of 18.8 percent. Capital investment by state-owned enterprises increased by an annual rate of 16.4 percent, while that by enterprises owned by collectives and individuals increased by an annual rate of 23.3 percent, all exceeding the growth rate of national income. Last year, whole-society capital investment reached some 400 billion yuan. In addition, the proportion of investment in nonproductive projects in capital construction investment has enlarged, thus making the investment structure even more inappropriate. The swelling investment scale and the inappropriate investment structure constitute a major reason for inflation in our country and worsen our socioeconomic conditions. First, this aggravates the contradiction between gross social demand and gross social supply and draws up prices because some 40 percent of the capital investment will be directly or indirectly turned into consumption funds. Second, this seriously affects the credit balance that should be maintained by the banks, thus forcing the banks to increase money issues. Third, this also obstructs the adjustment of the industrial structure because many localities and units vie with each other in making investment in the same lucrative industries, thus causing duplicated construction and duplicated imports. For example, 16 production lines producing pull-tab cans were imported in different parts of the country, but each year the imported materials for producing pull-tab cans cost several hundred million U.S. dollars. Today, many high-class hotels in foreign countries do not serve canned drinks but we were still trying to catch up with an out-of-date vogue. In addition, many localities disregarded their technological conditions and the overall economic and market conditions and vied with each other in building small textile mills, beer breweries, and cigarette plants, which only achieved very poor economic results. The reckless starting up of such projects drastically aggravated the tension in the supply of energy sources, raw materials, and transport facilities.

In order to curb inflation we must also control the growth of the consumption funds. The swelling tendency in consumption in recent years is also noteworthy. From 1983 to 1987 the total amount of wages earned by workers increased by an average annual rate of 19.1 percent (not including the nonwage income of the workers which now accounts for about 30 percent of their cash income), while institutional consumption increased by 21.2 percent annually. In 1988, the total amount of wages earned by workers throughout the country increased by 22.1 percent over the previous year and their bonuses increased by 44.6 percent. On the other hand, the institutional consumption amounted to 24 percent of the annual financial revenue and exceeded that year's budgetary investment in capital construction. At present, institutional consumption has the following characteristics: First, institutional consumers now buy a much wider variety of commodities and more

luxurious or expensive goods. In the past, they mainly bought stationery and things for office use or for labor insurance; however, they also buy all kinds of goods for daily use. Second, most institutions and enterprises can spend extrabudgetary funds. Third, edible goods purchased by institutional consumers have increased rapidly by an annual rate as high as 50 percent since 1984 and the proportion of these goods in the total institutional consumption increased from 2.7 percent in 1984 to 5.6 percent in 1987. This shows that the phenomenon of eating and drinking with public money exists to a serious degree.

Therefore, we must resolutely cut down on the investment scale and the institutional purchasing power. In particular, we must resolutely stop and cancel unnecessary nonproductive projects and those which cause duplication in construction. We must also resolutely cut down on the part of institutional purchasing power which causes waste and extravagance. This is one of the major measures in curbing inflation.

The imbalance between supply and demand was caused by many factors. The main problem in the economic structure is that after the old macroeconomic control mechanisms were weakened we failed to build new macroeconomic regulatory mechanisms. As a result the economy became overheated and both investment and consumption swelled excessively. In order to strengthen the overall economic controlling capacity and establish a macroeconomic regulation system we must adhere to the principle of maintaining the overall balance in the national economy. It is necessary to reform the planned investment system, make economic regulation, and carry out the industrial policy through the levers of taxation and credit and through necessary administrative means. The central bank's independent function in formulating and implementing monetary policy and credit policy should be strengthened and the system for separately managing commercial loans and administrative loans should be established as soon as possible. The financial system and the tax system should also be reformed. Enterprises should first pay taxes and then repay their loans. The credit and tax policies should be favorable to good enterprises and should restrain those with poor economic results so as to optimize the industrial structure and improve the economic results.

Article Views Unavoidable Problems in Reform
HK3003144389 Beijing JIEFANGJUN BAO in Chinese
23 Mar 89 p 3

[Article by Wang Shunhai (3769 7311 3189): "How To Understand the Problems Arising From Reform"]

[Text] While the 10 years of reform in our country have scored world-renowned results, there have been problems such as overheated economic construction, price hikes, and unfair social distribution. These problems have their subjective as well as objective causes, some are avoidable, others unavoidable. To analyze specifically, I feel the following factors should be considered:

1. The transition problem. At present, the national economy is in a transition between the old and new systems. The old things are changing but the change is yet to be completed, and new things are gaining a foothold but they are far from perfect. This situation is liable to produce loopholes. For instance in the commodity circulation realm, the previously highly centralized pattern has been breached and various channels and forms of circulation are now permitted, however, the market mechanism is still incomplete and a normal competition pattern as a whole, has not yet been formed. Some materials still depend on planned distribution. This "double-track" pricing system has created an opportunity for illegal sales operators and abnormal upward pricing. Problems of this kind can be resolved only by a strengthening of management and supervision, restricting the maladies of the "double-track" system, deepening reform, and by stepping up macrocontrol measures.

2. The historical problems. Problems such as the imbalance between total supply and demand, inflation, and so on can be said to have existed for a long time; in different forms in different times. Before the "Cultural Revolution," the imbalance between supply and demand, and inflation were "invisible." The remedies taken then to ease the contradictions were issuing various coupons to restrict demand. But this method could not increase supply, nor could the "coupons" be reduced. It could only "stack up" and "stall" the contradictions. The occurrence of these problems is a continuation and progression of the past imbalance between total supply and demand. "Invisible" inflation has become "visible." Therefore putting the blame for the occurrence of these problems on reform and opening up is incorrect.

3. The problem of operation. Even the best machine is liable to go wrong during operation. The problem is whether the malfunction can be discovered and fixed in time so that normal operation is ensured. Similarly, in the initial stage of reform, it is impossible for everything in the economic dynamics to operate smoothly. Problems are unavoidable. For example in a certain period there may be too many of a certain product and too few of another. Tackling this kind of problem calls for improvement in control, regulatory, and feedback systems.

4. The problem of operational strategies. Owing to the lack of experience and inadequate forecasts, some decisions have committed errors. For instance some package measures under a certain policy did not proceed in a coordinated pace, and macrocontrol was thus weakened, and the implementation priority for some reform measures was not reasonably arranged, and so on. At the same time it should be seen that in implementing some principles, which are proper by themselves, new conditions and problems may arise. For instance, the practice of taking material interests as the guiding principle may cause some people to go all out for individual and small group interests; widening enterprises' decisionmaking powers may induce a certain extent of decentralization; and practice of the principle of competition may weaken

the interests of certain people, and so on. Of course, we should be able to foresee and attempt to minimize these new contradictions. But the hope of having no problems at all is unrealistic.

Urban Land-Use Reform Report Examined
HK0604073689 Beijing JINGJI GUANLI in Chinese
No 1, 1989 pp 28-30

[Article by Zhou Niannian (0719 1819 1819), edited by Huang Weilin (7806 0251 2651): "The Existing Urban Land-Use System Must Be Reformed—A Report on the 'Conference on the Compensated Use of Urban Land'"]

[Text] From 1 April to 5 April 1988, China's "Conference on the Compensated Use of Urban Land" was held in Wuhan. This conference was jointly organized by the following six units—the Chinese Society of Urban Economics, the Chinese Society of Land, the board of directors of China's Urban Economics and Society Yearbook, the Land Society of Hubei Province, the Land Management Bureau of Wuhan City, and the Economics Research Institute of Wuhan City. Over 60 scholars, experts, and cadres from 20 tertiary institutions and scientific and technical research organs and those engaged in the theoretical research and actual work of land economics in 11 cities from all over the country participated in the meeting. During the conference, the participants engaged in heated discussion on the compensated use of urban land both from theoretical and practical angles. On many questions a fairly uniform understanding was reached and many measures and proposals were put forward. On other questions differences of opinions remained and they await further research and discussion. The main contents of the discussion at the conference were as follows:

1. The Opportune Moment for Putting Forward Urban Land-Use Reform Programs

The comrades participating in the conference uniformly held that on the basis of the commodity economy, the defects of the system of uncompensated, unlimited use of urban land have become extremely obvious and this has not only produced a great waste of urban land, but has also brought harm to the national economy and urban development. Following the deepening of economic structural reform and the development of the planned commodity economy, the reform of the existing urban land-use system has become inevitable. However, the urban land question involves a wide range of areas and many complex situations. Thus, the participants in the conference had differing opinions on the aims, principles, policies, pace, and methods of reforming the urban land-use system. These different views tended to center on the time for initiating the compensated use of urban land use.

Many comrades held that the compensated use of urban land is a major component of urban land-use reform, that the opportunity for implementing it is now here and

that it should be implemented as quickly as possible. Their reasons were: 1) There have already been quite full theoretical preparations. 2) Residential reform has already commenced, and the system of compensated use of land must follow if it is to correspond with these changes. 3) Shenzhen, Fushun, and other cities have been experimenting with this for many years and have accumulated much experience. 4) Beijing, Shanghai, Wuhan, and other core cities have done much survey and research work and on the ideological, organizational and technical levels, they have done good preparation. The present situation is that the reform of the land-use system is already stagnant and if there is no reform, it may affect the development of the national economy and have a disadvantageous influence on reform in other areas of the economy.

However, some other people argued that the time is not yet ripe for implementing compensated use of land. Their reasons were: 1) Prices are not stable and after compensated use of land is implemented it will result in increases in the prices of products of various types of enterprises. This will lead to or exacerbate overall price rises. 2) Seen in terms of overseas experiences, most major economic reforms and economic readjustments have taken place in situations where money is strong. However, at present, the inflation rate in our country is quite high and there is quite a large financial deficit. 3) Enterprises have not really become relatively independent commodity producers and operators and the implementation of compensated use of land will inevitably produce unequal burdens, added to which are the risks of the contract operators.

Through analysis and discussion, many comrades came to hold that the reform of the urban land-use system truly requires consideration of the environment and the conditions, but that looking at the economic situation in the country, there already exist the necessary conditions and the right environment. Those restricting factors such as price rises can only be gradually put in order and gradually resolved and we cannot wait until this is done. Many comrades pointed out that as the compensated use of urban land is a very complex reform and the conditions of the many cities around the country vary enormously, it is necessary, before starting, to do well in multifaceted preparation and to first carry out experiments and then gradually spread the reforms. They noted that on the policy guidance level, we cannot require uniformity.

2. On the Scope of Collection of Land-Use Fees

The comrades who participated in the conference held that the scope of collection of urban land-use fees should be the state-owned land within the city proper or built-up areas of the city, and that the targets of the levies will be the enterprises, units and individuals who use state land. As to the currently reserved collective land in the city proper or built-up areas, there were different opinions: 1) It should be seen in the same way as state land and fees

should be levied in accordance with regulations. 2) The state should levy property tax on the owners of the collective land, and the tax amount should include the excess profits which are derived from the land. 3) In accordance with the Constitution, state ownership of this land should be recovered in an appropriate manner. 4) When collective land is converted into shareholding land or when it is transferred, a tax equivalent to the shareholding or transfer price should be collected.

In respect of the scope of the levying, the differences of opinion were the greatest over the question of whether state organs, forces, schools, and such units should be subject to land-use fees. One opinion was that these units should also pay the fees in accordance with the regulations, but that the fee charges and tax charges could be appropriately reduced. The reason for this was that some of these units occupy too much land and if they are not subject to the payment of land-use fees, it will be difficult to establish a concept of economy in urban land use and efficient use of land. The other view was that for state organs and forces which are maintained through state expenditure, it is inappropriate to levy land-use fees. This is because land-use fees for these units are nothing more than state financial income in one pocket and state financial expenditure out the other pocket, with no real significance. Further, with the situation of state administrative funds and military expenditure being repeatedly cut back, these units will not have the capacity to bear these fees.

Some comrades noted that in Wuhan and other cities, the forces occupy much land and many military units use their land to engage in business operations. They thus proposed that we should proceed from the special nature of the forces' land-use and specially formulate management regulations for forces' land-use, and that that land which the forces are using for business and profit-making activities should be subject to the full land-use levy in accordance with local regulations for the same type of land.

3. The Composition of the Land-Use Fee and the Price of Land

This was the most heated area of discussion for the conference and the area in which opinions differed most markedly.

One view was that, according to Marxist land-rent theory, land-use fees should have three components: 1) Absolute rent. This manifests state ownership and can also be considered to be the surplus product value component. 2) Differential rent I. This is the extra profit produced by factors such as the position, environment, and conditions of the city and the various sections of the city. 3) Differential rent II. This is the differential benefit obtained through continuous investment in urban land. This benefit is initiated and formed by municipal capital construction and the development of other facilities over the years. The investment needs of municipal capital

construction are gradually compensated for by the products and income from the enterprise units which engage in production and operational activities on the urban land. In fact, this investment has, as yet, still not been completely recovered. Thus, this part of the land-use fees can be included in costs by the operational enterprises and be paid prior to taxation. Therefore, urban land-use fees can be seen as having two components: Surplus product value and investment compensation. As the sources are different, the use of land-use fees are also to be divided into two: 1) To compensate for the "amounts due" in terms of urban capital construction, and 2) to flow to the state through taxation.

Another view was that land-use fees are only rent, that is extra profits, and are not investment compensation in any sense. As far as production operations enterprises are concerned, land-use fees cannot be included in costs, and should be levied after taxes. Land-use fees are the realization of land ownership rights on the economic level. Thus, the reform of the land-use system requires the strengthening of ownership rights. There cannot be a weakening or haziness about ownership rights. As to the majority of urban land-use fees being used in urban capital construction, that is a measure adopted in accordance with the reality of our country's urban development and construction, and we cannot, on this basis, change the nature of land-use fees. They also made a strong call to justly and forcefully put forward the concept of socialist land rent, and ensure that the reality accords with the name. Comrades who held the opposite view felt that the actual situation of our country is such that there is no way to recover land capital, and thus asked how we can talk even about land rent. The various theories of Marx are unable to explain the complex problems met in reform.

What everyone was generally agreed upon was that although a land market has not yet been established in our country and an independent land-price mechanism has not yet been formed, there already exist spontaneously-formed land prices. The differences in the land prices of various cities reflect the degree of prosperity of the urban economies. Some comrades who are engaged in practical work pointed out that as most cities have housing exchange markets, it is possible to use the residual method of having housing replace land to clarify land value. Some comrades held that there are many factors which affect land value. Our country's geography divides land into the east, central and west and in political terms, there are four levels (special economic zone, open coastal city, coastal region, and hinterland region). Policies have been relaxed and land prices have risen, and one does not find answers to this problem in the classical works.

4. On Grading and Classifying Urban Land and Standards for Fees

The comrades from the land management departments of Qingdao, Jinan and Wuhan noted the methods of grading and classifying land should be general and not too specific

and should be made easy rather than difficult. They felt that the proposals for grading and classification should consider feasibility and also consider the work volumes and technical levels of the departments engaged in the actual work. They proposed that the various cities could first set down a rough grading and classification system and fees standard plan, which could be gradually improved and perfected over time through the experiences of actual work. Thereby, as quickly as possible the transition to the new stage, where fees are charged in accordance with land value, would be achieved.

Some comrades also held that the change from uncompensated use of land to compensated use of land is a process of reform, and thus fee standards could continually grow from a low level to a high level. They noted that the benefits of doing things in this way are: 1) It will not lead to overall fluctuations in prices; 2) the obstacles encountered will be quite small, and 3) it will accord with the psychological capacity of the masses to bear the changes.

Some other comrades did not agree with this view. They held that the institution of the land-use fees should be done in one step and noted that if the land-use fee standards are too low, or perhaps even just symbolic charges, it will certainly result in some bad effects: 1) There would be no constraining force on land-using units, which would result in it being impossible to correct and overcome the low-efficiency use of land and waste of land. 2) If the fees charged are too low, the income thus derived will be insufficient to compensate for the investment in urban capital construction and facilities over the years, there will be no way to form a beneficial cycle for urban capital construction funds and this will not be of benefit to urban construction and development. 3) The levying of land-use fees involves a readjustment of economic relationships and economic interests, and ensures that the extra profits of those enterprises which rely on the land go back to society. If this was not so, the aim of reforming the land-use system would not be achieved.

5. On the Relationship Between the Compensated Use of Urban Land and the Requisitioning of Land

Following the development of the cities, in order to satisfy the needs of construction, the city governments and construction units need to annually requisition large amounts of land from peasant collectives. In general the utilizing unit pays land-requisitioning fees for the requisitioned land. After compensated use of urban land is instituted, the funds for capital construction projects will be provided through credit rather than through allocation. Thus, the utilizing units will pay large amounts in land-requisitioning fees, but will not obtain the ownership rights of the land, and every year will have to pay land-use fees in accordance with regulations. The state, when requisitioning land will not pay a single cent, but will obtain land ownership rights and will, on the basis of its ownership rights, annually levy land-use charges on

the land-using units. As far as the land-using units are concerned, and especially the collective-ownership enterprise units, this is irrational.

Many comrades pointed out that at present, not only are the urban land-requisitioning fee standards different in different places, but fee charges are swiftly growing, and they range from 30,000 to 100,000 yuan per mu. Although land-use rights are being sold only in a limited number of open cities on an experimental basis, compensated transfer is popular in very many cities. For example, transferring land with housing, converting land into shares, exchanging land for means of production and means of livelihood, and so on. The transfer prices formed through these measures experience regular fluctuations, which are spontaneously harmonized with the price fluctuations in the overall market. Thus, when formulating fee standards, we must consider the land transfer prices which already exist in the cities. Some comrades even feel that these prices should be a major basis in formulating fee standards.

6. On Coordinated Reforms

The compensated use of urban land is, in essence, a new readjustment of economic interests between the central authorities, localities, and cities, and between the state, enterprises, and individuals, achieved through the distribution and redistribution of national income. This not only involves the various relationships in land use and management, but also involves relationships with other economic spheres and sectors. Now, in implementing compensated use of urban land, on the one hand there must be gradual perfection of relevant regulations, and on the other hand, there is a need to accelerate the overall economic structural reforms and create a good environment and necessary conditions, and strive to make the fees rational and fair. The comrades participating in the conference stressed the following:

1) The enterprise reforms need to be deepened and enterprise decisionmaking autonomy needs to be expanded, so that enterprises become relatively independent commodity producers and operators. This will increase the clarity of the enterprises' costs, taxes, and income structure and make the extra income enterprises derive from land, especially from superior-grade land, independent. This will scientifically separate, in a gradual way, land earnings and earnings from labor and from capital. In this way, it will be possible to rationally formulate fee standards and methods of collection.

2) The irrational price system needs to be reformed, so that a basis can be found on which irrational charges can be eliminated and land prices can respond to the commodity economy and the law of value.

3) The tax system needs to be reformed and the financial income and expenditure structure needs to be readjusted. Many comrades have pointed out that on the basis of our actual situation, it cannot be said that

absolute rent and differential earnings of land are all taken by enterprises. Quite a large proportion of land income goes to state finances through the forms of various taxes and profit distribution. Under the current tax system, the earnings from land which the state obtains is hidden in other tax types and its transparency is quite low. Thus, implementing the compensated use of urban land requires the reform of the tax system and the readjustment of tax types, so that the land-use fees' expenditure of land users and the corresponding income of urban financial administrations are quite concretely reflected. Thereby new economic interest relationships will be formed.

4) The reform of the housing system requires consideration of the land-use fees question. Some representatives pointed out that in current economic life the management and utilization of housing often includes the management and utilization of land. Thus, the reform of the housing system cannot evade the land question. In the document "On the Implementation Program for the Reform of the Housing System" recently promulgated by the State Council's leading group on reform of the housing system, there was nothing included on the problems related to the levying of land-use fees. The representatives pointed out that the formulation of a housing system reform program must take the levying of land-use fees as a major topic, seriously study and resolve the problems and include this in the text. As to the housing exchange activities which exist in various cities at present, for all which touch on the transfer of land-use rights, appropriate policies and regulations should be formulated as quickly as possible. Guidance should be provided and irrational excessive earnings from such transfers should be restricted.

Commentator on Guiding Extrabudgetary Funds
HK0404043989 Beijing RENMIN RIBAO in Chinese
30 Mar 89 p 2

[Commentator's article: "Pay Attention to Guiding the Flow of Extrabudgetary Funds"]

[Text] After 10 years of reform and development, our country's overall financial resources have shown an increase. The amount of extrabudgetary capital in particular, has risen from 34.7 billion yuan in 1978 to 227 billion yuan in 1988. This figure is estimated to reach 245 billion yuan this year. A substantial increase in extrabudgetary funds has aroused enthusiasm in various aspects and stimulated development in various fields of endeavor. But due to a too rapid increase in extrabudgetary funds, poor management and improper use, there have also been some negative effects on economic life. Rationally guiding the flow of extrabudgetary funds has become an important task in the improvement and rectification effort.

In the past few years, quite a large part of extrabudgetary money has been invested in fixed assets and been made to add to consumption funds, further exacerbating the contradiction between overall social supply and overall demand. In 1988, of the country's total investment in fixed assets, self-raised funds by localities, departments, and enterprises accounted for 60 percent. This kind of money was devoted in large part to the building of nonproductive projects like ostentatious office buildings, fancy restaurants and the like, or to the building of overlapping construction projects and the development of processing industries. This interfered with the balanced and harmonious development of the national economy, further exacerbating the problem of inadequate funds for key construction projects and further aggravating the situation of an irrational industrial mix. Meanwhile, it made for a swelling in social collective purchasing power and a sharp increase in consumer funds.

How should we rationally guide the flow of extrabudgetary funds? One way is for the state to rationally readjust the relations of distribution in light of the actual conditions of the state and to collect part of the extrabudgetary money on a percentage basis to invest in agriculture, energy, communications, and other key construction projects. Such a practice is also "a thorough answer" to the problem of using extrabudgetary funds to blindly launch construction projects and increase consumer funds. Recently, the State Council has decided to impose a budget-regulating fund, beginning this year—with a part of the extrabudgetary money concentrated. It has already formulated concrete implementation measures.

Properly concentrating a part of extrabudgetary money in supporting the country's key construction projects serves not only overall interests but also local interests. From 1983, our country has supported energy, communications, and other key construction projects with money from imposed funds for important energy and communications construction projects. The experience has proved effective. In 6 years, an accumulation of more than 70 billion yuan in extrabudgetary money was collected and used in a concentrated way, solving some problems of "strangling" in the development of the national economy. Local governments were also enabled to increase their own financial resources with a percentage of money obtained from energy and communications funds, and to solve some problems urgently in need of being solved. With the development of energy and communications projects, some enterprises were enabled to relieve the situation of shortage of electric power and coal. Money collected from the budget-regulating fund this year will be chiefly devoted to strengthening agricultural and other important projects. The aim is to pave the way for the smooth progress of future reform and development. Our comrades should correctly handle the relations between local interests and overall interests and realize that a temporary "profit concession" by a locality helps to exactly serve overall long-term development. Only with the problem of the situation as a whole solved can local problems be eventually solved.

The state must concentrate more of the financial resources, but most of the extrabudgetary money is still controlled by various areas, departments, and units. Therefore, policymakers at various levels must seriously study realistic measures in accordance with the demands of improvement, rectification, readjustment and reform, and guide the rational flow of extrabudgetary money.

Economist Views Problems in Distribution
HK0404021189 Beijing JINGJIXUE ZHOUBAO
in Chinese 19 Mar 89 p 2

[Article by reporter Guo Yanchun (6753 5333 2504):
"Two Difficult Problems in Income Distribution—
Economist Zhao Renwei Discusses Egalitarianism and
Tendency To Pay in Kind in Income Distribution"]

[Text] At present, many problems exist in our country's economic structural reform. The inequity of social distribution has become a major topic in street gossip. At the same time, the gossip about the widening income gap also conceals the deep-rooted egalitarian phenomenon left behind by the traditional structure. In addition, in the market-oriented reform, the tendency of payment in kind has become more and more serious. In view of this, this reporter interviewed Zhao Renwei, an economist who is leading a research project about the distribution of individual income. He is also the new director of the Economics Institute of the Chinese Academy of Social Sciences. 1. **The balance of social distribution has tilted in the minds of many people. Is egalitarianism or too wide a gap the main problem in income distribution?**

Reporter: At present, people often complain that the income gap is now too wide. As the popular sayings go, "those who sit behind market stalls get rich, but those who sit at office desks get poor;" "those who carry scalpels earn an income much less than those who carry razors;" and "those who make nuclear weapons earn an income less than those who sell eggs." Can we say that these phenomena indicate that the main problem in the field of income distribution is the appearance of too wide a gap rather than the existence of egalitarianism?

Zhao Renwei: The income of a small number of people has risen to an unreasonably high level. This is indeed an exigent economic and social problem rather than an illusory sense of unfairness produced by some people's psychological propensities. However, we should not thus reach a simplistic conclusion that the main problem in the distribution of individual income in our country is no longer egalitarianism but the widening income gap. In my opinion, a more comprehensive and realistic proposition should be that on the one hand, the chronic problem of egalitarianism in the distribution of income has not been thoroughly resolved; on the other hand, there has appeared a new problem that the income made by a small number of people or yielded by some economic activities is unreasonably too high.

I think that egalitarianism remains the main problem in income distribution in our country and must not be neglected. Since reform began, especially since the wage reform in 1985, the differences in urban workers' wages have been further narrowed. According to the data offered by the State Statistics Bureau, after the structural wage system was adopted in 1985, the income ratio between junior-level and senior-level workers dropped from 1:3 to 1:2. Some people call this "new egalitarianism" and this is not without reason.

Reporter: How come the problem of egalitarianism has not been solved but has become even more serious?

Zhao Renwei: Egalitarianism continued to worsen within the scope of direct state control. A fundamental reason lies in the fact that the current wage system remains in the egalitarian "big pot" framework, and does not accord with the new principle of effecting social equity under the premise of ensuring the enhancement of efficiency. Moreover, in our country's original income distribution structure, payment in kind accounted for too large a proportion in people's income. Since reform began, payment in kind has been markedly reduced in the aspects of food, clothing, and articles for daily use. This change accords with the reform orientation. However, the tendency of payment in kind still exists to a serious degree in many aspects. In particular, rents for housing, charges for water and electricity, and public traffic fares have still been basically frozen for a long time, and the government has to heavily subsidize these items. Such ubiquitous subsidies and payment in kind are always based on egalitarianism for most people, and do not meet the requirement that a distribution pattern should promote the enhancement of efficiency.

At present, the problems and phenomena existing in the distribution of individual income in our country are still extremely complicated. The situation in this regard is not the same as the typical case of egalitarianism in a traditional socialist economic structure, nor can it be compared to the typical case of a wide income gap between the rich and the poor in the capitalist economy. However, the present situation in our country is still far from the goal of our economic structural reform, that is, to reasonably widen the income gap so that people can all get rich together.

Reporter: How did such a special phenomenon occur?

Zhao Renwei: This is mainly caused by the contradictions and frictions between the two sets of systems and by the defects of our economic management. The coexistence of two sets of opposite economic systems, especially the double-track pricing system, will inevitably bring about a series of contradictions and frictions in our economic life. It is very difficult to coordinate and balance the economic interests subject to the state planned control and those freed from the state planned control. This dual economic structure provides a hotbed for illegal profiteering through speculative transactions. Moreover, economic activities

free of state planned control have not been brought under effective indirect control, and remain to a certain degree in an unbridled condition. The contradictions in such a dual economic structure also find expression in the realm of income distribution. In the area where economic activities are still under the state's direct control, the egalitarian cliché remains unchanged and a new form of egalitarianism has also appeared; while in the area where economic activities are free of the state's direct control and have not been effectively regulated and coordinated by an indirect control system, the income made by some people or yielded by some economic activities is unreasonably high.

2. In the realm of distribution, ration coupons, which were reduced for a period, have now been increased again; medical services and housing are now still the major welfare benefit at lost costs for many people; the high welfare benefit and consumption privileges enjoyed by senior leaders have been standardized; the regulations on restraining dining and drinking with public money have been simply defied in practice. Do all these phenomena indicate a tendency toward a market economy or a payment-in-kind economy in the process of reform?

Reporter: You just mentioned that since reform began, on the one hand, a large proportion of individual income and expenditure has been effected through currency; on the other hand, the tendency toward a payment-in-kind economy still seriously exists. Can you define a payment-in-kind economy?

Zhao Renwei: The payment-in-kind economy refers to the circulation, distribution, and exchange of goods and services through nonmarket channels. That is, goods are transferred by the government according to its administrative orders and plans from one enterprise to another; and daily necessities and consumer goods are distributed to the people on rations.

Reporter: Then, what role does money play in such an economic operation?

Zhao Renwei: Money is just taken as a measure for calculation and statistics in the activities of production, circulation, distribution, and exchange of goods, so it can only play a passive role.

Reporter: What are the concrete demonstrations of the tendency toward a payment-in-kind economy?

Zhao Renwei: At present, the tendency toward a payment-in-kind economy not only exists in the realm of distribution, but also in the realms of production, exchange, and consumption. It not only exists at the level of households and enterprises, but also at the government level. Its concrete demonstrations can be found in the following facts:

1) The restoration of various ration coupons. After reform began, urban residents could freely buy more and more foodstuffs, clothes, and articles for daily use without ration coupons. However, ration coupons were gradually restored and increased in recent months. Not only food grain and oil are still supplied to all residents on rations, but eggs, meat, and other nonstaple foodstuffs are now also supplied on rations. In some localities, even toilet tissue, soap, and washing powder are supplied on rations. In addition, a limited quantity of "purchase tickets" were issued to ordinary residents who are allowed buy color television sets, refrigerators, and other durable household electric appliances. After the restoration of ration coupons for consumer goods, residents will have no freedom to make quantitative selection of consumer goods, and the degree of qualitative selection will also become very low. Consumers will be placed in an embarrassing position as they will have to make price selection between the top and bottom price limits imposed by the government.

2) The expansion of welfare consumption. The typical case in this field is the housing consumption of urban residents, as well as the free medical services they can enjoy.

If we view the conditions of leaders, especially senior party and government leaders, we find that their consumption is more obviously characterized by high welfare and payment in kind. They can enjoy special cars, telephones, spacious houses, free and high-quality medical services and household services, and other special material benefits. The costs of these benefits and services greatly exceed their salaries. Such a special supply system is in essence contradictory to the market-oriented economic tendency.

In the past 10 years, we did not make substantial progress in reforming the wage system and expanding the scope of money wages. Instead, more detailed stipulations on the material benefit accessible to cadres of different ranks were formulated. Leaders at various levels were also authorized to approve the expansion of privileges for cadres of certain ranks. According to statistics, there are some 90,000 cadres at and above the deputy bureau chief level throughout the country, but 210,000 people have gained the material benefit enjoyed by these cadres.

3) Internal distribution in various units. In the course of reform, units have got greater power for making business decisions and can retain more profits in their hands. They distributed more bonuses in kind to their workers under all sorts of pretexts. The degree of such payment in kind is even higher than that of the government's payment in kind, because workers can get goods and services gratis from their own units and do not need to pay any money for them.

4) Excessive allowances. According to some people's calculation, the allowances (housing allowances, transport allowances, and medical services allowances)

enjoyed by urban workers account for about 80 percent of their wage income. The state has to offer 2 yuan of allowances for each square meter of housing area of the workers, and has to pay 0.34 yuan or more as subsidy for each jin of food grain, and 1.6 yuan for each jin of peanut oil, consumed by urban residents. At present, each person in Beijing enjoys an average of 550 yuan of livelihood allowances each year.

In addition, there are also such forms as enjoying material benefit privately by spending public money and exchanging material benefit with each other.

Reporter: Can we regard the restoration of the ration system as an expedient measure for coping with the shortage of goods?

Zhao Renwei: The shortage of goods is indeed a major reason, and through a ration system pursued by the administrative organs, the minimum needs of the consumers can be guaranteed. However, we should also notice that the more such administrative means are used, the less initiative people will maintain in production. Then, the supply of goods will increase more slowly; the prices will be controlled more rigidly; and the shortages will become more serious. Therefore, we will just return to the blind alley if we develop the payment-in-kind tendency and abandon the market mechanisms in our economic operation.

In addition, another major reason lies in various policy errors. For example, in the past 10 years, the money wage of urban workers increased annually by an average of 8.2 percent, but house rents were still basically frozen. According to statistics, the proportion of house rents in the per capita annual outlays of urban residents on personal living expenses was 2.32 percent in 1957, 1.39 percent in 1981, and 0.87 percent in 1987, showing a declining tendency. Why can't we gradually adjust and reform the housing system under the premise of not affecting people's living conditions? Of course, we cannot try to change the planned economy into a market economy overnight, but we must work out a clear general reform objective and take reform steps in an orderly way.

Reporter: What makes it possible for the payment-in-kind tendency to exist and develop in China?

Zhao Renwei: First, this comes from the disturbing influence of "power worship" and the decisive position of officialdom. In the old structure where commodity and money did not play a role in exchange and circulation, officialdom exclusively held the dominant position. In social and economic activities, people only "worshipped" power and were not aware of the destructive effect of such "power worship" on the development of the modern economy and the development of science, democracy, and freedom. When the market-oriented reform is unfolded, "power worship" and "official domination" will become a stronger force to fight against money, commodities, and

markets, and will tenaciously find expression in the payment-in-kind tendency in the fields where a market economy is making advances. For example, when a housing reform scheme is being formulated to turn more houses into commodities, some regulations also stipulate public houses can be provided for high-ranking cadres at very low costs or gratis; when it is proposed that a telephone market and a private car market be set up, the scale of using telephones and cars among senior cadres will grow rapidly. The expansion of material benefit distributed through nonmarket channels constitutes the main foundation for "official domination," and "official domination" in turn provides a political structural premise for the expansion of material benefit distributed through nonmarket channels.

In addition, the traditional habits and the subordination relationships in the social structure also contribute to the development of the payment-in-kind tendency.

Reporter: What effects will the payment-in-kind tendency produce on the reform of the income distribution system?

Zhao Renwei: The payment-in-kind tendency will make it hard to perceive the real nature of income distribution. It is hard to assess, compare, supervise, and manage the disparities in the income distribution between individuals, between units, and between different social groups. Then, it is hard to formulate correct and scientific policies on income distribution. The system of distributing material benefit through nonmarket channels and the system of ensuring privileges for senior leaders constitute major obstacles to the reform of the distribution system.

3. The Economics Institute of the Chinese Academy of Social Sciences has cultivated many famous economists for our country, and forms a major force in the academic circles, as a director of this institute, what is your plan after taking office?

Reporter: What have you done in the past months since you became institute director?

Zhao Renwei: There were three campaigns: Reshuffling the leading body, deciding professional titles, and distributing houses.

Reporter: What do you plan to do in order to run the institute better?

Zhao Renwei: There are now many economic research institutes, and talented young researchers have kept emerging. Under these circumstances, the Economics Institute will try to develop its own characteristics in the research field. We will encourage the development of different academic schools and theories and will build a democratic and liberal environment and a united and harmonious atmosphere for pluralistic academic development. We will develop a spirit of equitable and civilized competition. Many academic masters have

appeared in the Economic Institute, and more will appear in the future. We will create a favorable environment for the appearance of academic masters.

Reporter: What do you think about your own job?

Zhao Renwei: I think that if a director is not engaged in research, he will not be a good and competent director. So I will continue to carry forward my academic research projects when performing my administrative duties. I will try to free myself from tedious administrative routines and make contributions to the development of the upright and earnest style in academic research and to the weakening of the bureaucratic style of work.

Commentator Stresses Commodity Economy
HK0404054789 Beijing NONGMIN RIBAO in Chinese
27 Mar 89 p 1

[Commentator's article: "Correctly Handle the Relationship Between Improvement and Rectification on the One Hand and Reform and Opening Up on the Other"]

[Text] Premier Li Peng pointed out in his government work report delivered at the Second Session of the Seventh National People's Congress that it is necessary to closely integrate improvement and rectification with deepening the reforms. He said that many improvement and rectification measures we are currently adopting are themselves important contents of deepening the reforms. By doing a good job in improvement and rectification, we can create relatively good macroeconomic conditions for deepening the reforms and better promote the development of socialist commodity economy. This exposition explains the dialectical relationship between improvement and rectification on the one hand and deepening the reforms on the other. How to handle this relationship well in practice is an important issue facing us.

Two Kinds of Thinking, Two Different Results

Do we need to carry out improvement and rectification? It can be said that people's understanding on this question is unanimous, and the problem lies in how to comprehend the issue and how to implement the central guideline on improvement and rectification. In the course of improvement and rectification there are two different lines of thought, approaches, and methods, and hence two different results are produced. One kind is the line of thought of product economy, that is, applying the old product-economy way of looking at things to observe the problems and difficulties that have emerged in the current new situation; as a result, when strengthening macroeconomic regulation and control [tiao kong 6148 2235], one always consciously or unconsciously relies on the previous habitual method of applying administrative intervention, the old measure of centralizing control to the maximum, and the old way of across-the-board treatment. The consequence is always getting half the result with twice the effort and even finding that things go contrary to one's wishes, that the problems are not eased, and on the contrary that

the contradictions are artificially aggravated. Although such practice may temporarily yield some results, it cannot fundamentally resolve the problems, and may even leave hidden dangers behind that constitute obstacles to furthering the reforms and opening up. The other kind is the line of thought of commodity economy, meaning the use of the new viewpoint of commodity economy to observe the problems and difficulties that have currently emerged; when strengthening macroeconomic regulation and control, extensive use is made of all available methods, with the emphasis on relying on economic measures and the introduction of the market mechanism. Even if there is sometimes no alternative to applying urgent ad hoc measures such as price restrictions, monopoly sales, and so on, and even if certain methods that violate the law of value are adopted, and the speed that exceeds the endurance capacity of various sectors is slowed down, we will consciously control all such measures to the smallest possible scope and limits and first take precautions against possible side effects. Such methods may not produce notable direct results for a time; however, by carrying out improvement and rectification, optimizing the industrial structure, increasing effective supply, and improving economic returns, this will not only help to ease the current most urgent difficulties but will also help to create conditions for furthering the reforms and opening up. There is no doubt that we should follow the latter line of thought and adopt the latter approach and method.

In following the latter line of thought, we must pay attention to proceeding from reality in carrying out improvement and rectification by cutting, ensuring, or launching projects as appropriate. Take the question of economic overheating; this needs specific analysis, not general accusation. Which sectors are overheated? Which are heated, but not excessively? Which sectors are cool, not heated? According to statistics, from 1980 to 1987, capital construction investment in the state whole-people ownership system rose from 50 billion yuan to 130 billion yuan, rising at an annual rate of 12.5 percent. This included annual increases of 14.7 percent in heavy industry and 9.99 percent in light industry, whereas investment in agriculture actually declined 3 percent a year. From the angle of investment structure, was the order agriculture, light industry, and heavy industry, or heavy industry, light industry, and agriculture? Was the economy overheated or was industry overheated while agriculture was too cool? It is not hard to draw the conclusion on this, nor is it difficult to find the correct countermeasure.

Get United for Developing Commodity Economy

There are many causes of the various frictions and contradictions in the course of switching from the old setup to the new, but fundamentally speaking there are just two: One is the question of material interests; and the other is the question of ideological concepts. Contradictions caused by touching on the material interests of different people or different interest groups are relatively

easy to understand, but contradictions caused by different ideological concepts are always prone to be neglected. The feudal mentality that lasted for several thousand years is deeply rooted; and the history of a semicolony and of imperialist aggression and oppression in the past century has given people profound hatred of capitalism. The proliferation of leftist mistakes after the founding of the state resulted in people's understanding of socialism turning into idle fantasy divorced from reality in many cases. The mutual interplay of these different factors meant that our theoretical preparations for reform were inadequate and also that there were many muddled ideas, the most conspicuous and influential being the question of understanding commodity economy. For many years we always regarded commodity economy as being diametrically opposed to socialism, the two being mutually exclusive, and we also equated it with capitalism. By the time of the "Gang of Four," it was even capitalist for an old woman to raise a few more chickens, while for a production team to engage in a little industry or sideline occupations and promote diversified undertakings constituted capitalism within the collective economy, which was even described as the most dangerous kind of capitalism. When the reforms and opening up started and we flung open the doors to look around, we realized that this was not the case at all. In fact others were not only much more advanced than ourselves in science and technology and in enterprise management, they had also established a relatively perfect legal system, and formed a superstructure relatively well suited to their developed commodity economy; the concepts of commodities, competition, and efficiency were deeply rooted in their minds, and they had created a social environment spurring the members of society to strive to forge ahead by their own efforts. In short, others were well-to-do, while we were poor; others were developed, while we were backward. Some people then proceeded to go to the opposite extreme; apparently others did everything better than we did, and capitalism was fine in all respects; they lacked faith in socialism and moved toward capitalism. Quite a number of people also blame the current difficulties and negative phenomena on the reforms and opening up and on commodity economy. Maybe this is not without reason, as far as the phenomena were concerned, but in fact, completely to the contrary, the essential reason is that there is not a complete set of reforms, while the commodity economy has not yet fully developed. This has produced many complex contradictions during the switch from old systems and concepts to new, and increased the difficulties in deepening the reforms.

The practice of the past 10 years has proven that so long as we correct leftist errors, institute reform and opening up, and integrate and combine socialism with commodity economy, fundamental changes will take place and the superiority of socialism will gradually become manifest. For instance, in Guangdong, which borders Hong Kong, during the 9 years from 1978 to 1986, the province's gross domestic product rose at an annual rate of 12 percent, and increased by a further 18 percent in 1987.

Such a sustained and steady growth rate was higher than Hong Kong's during its economic take-off period in the sixties (11 percent). Hence capitalism is not as bad as we previously imagined, nor is it good in all respects. We should believe that in the future, socialist commodity economy will certainly surpass capitalist commodity economy. Although the 3d Plenary Session of the 12th CPC Central Committee explicitly wrote socialist commodity economy into the central resolution, for various reasons, this has not penetrated deeply into people's minds, and this is a major cause of certain mental confusion at present. If it is acknowledged that the key to accomplishing the four modernizations and invigorating China lies in establishing modern consciousness and understanding, eliminating old thinking, concepts, habits, and work styles, and reforming the old economic management setup, then the key to whether improvement and rectification can succeed lies, similarly, in getting rid of the old ideas, concepts, habits, and work style of product economy and establishing the new ideas, concepts, and work style of commodity economy. If everyone understands that socialist economy is a planned commodity economy and takes this as the guiding idea in observing and dealing with the problems, then we will have a common language, we will be able to reduce many contradictions and frictions, and we will be able to solve problems relatively easily when they arise.

Do Not Forget the General Guideline and Policy

In handling the relationship between improvement and rectification on the one hand and reform and opening up on the other, there is one principle we must always remember, that is, do not forget the general guideline and policy. At present, the documents and certain regulations of certain leading organs on improvement and rectification are irrational and impractical and will cause very great confusion if forcibly implemented. What should the lower levels do about this? Should they implement them, or not? This is indeed a difficult question. However, this is by no means a new problem. A few years ago certain departments issued some still more specific regulations for the purpose of implementing "central document No 1," and the masses called these "documents No 2." The great majority of these "documents No 2" were good, however they also included a number of specific regulations that did not accord with the spirit of "document No 1," and some even ran counter to it by harming and encroaching on the interests that should have been given the masses by the central instructions.

In resolving this problem, there is no harm in taking a look at Comrade Mao Zedong's 1948 speech at a meeting of Shanxi and Suiyuan cadres. Specific policies and tasks must be subordinate to and serve the general policy and task; if we are busy all day carrying out specific policies and tasks while forgetting the general policy and task, we will lose our way and turn into blind bureaucrats without clear heads and awareness. The general line in the initial stage of socialism is "one core and two basic points."

Reform and opening up is the general guideline and policy, and improvement and rectification should be subordinate to and serve the general guideline and policy of reform and opening up. The only way out for China lies in reform and opening up; otherwise, there is no way out. If we are determined to be reformers, then we must boldly discard the outdated rules and methods of the past and dare to open up a new road. A great reform cannot be without setbacks or a little reversal. The great river goes on flowing east through all its many bends, and the Chang Jiang eventually flows into the great sea. We must recognize the goals of reform, advance through the bends and setbacks, and by no means miss through the setbacks the chance of a lifetime.

Article Views Financial Environment

HK0204050089 Beijing RENMIN RIBAO in Chinese
27 Mar 89 p 6

[Article by Zhu Tianshun (2612 3944 7311): "A Humble Opinion on Improving the Macroscopic Financial Environment"]

[Text] Existing in China's macroscopic financial environment are three problems: The coexistence of insufficient funds and a high money supply; a soaring rate in credit volume with an irrational structure; and inflation accompanied by spiral price increases with irrational parity. The tasks for improving the macroscopic financial environment are to halt inflation, to curtail money supply, to readjust the credit structure, and to speed up money circulation. Hence, the need to deepen financial structural reform.

To strengthen the centralization of the central bank. The State Council and central bank should monopolize decisionmaking on money supply and credit volume. The local qualities and decentralization of money supply of organs under the central bank should be changed gradually. Sensitive and rapid means of communication should be established.

To improve the macroscopic financial environment, and to halt inflation, the State Council and central bank should monopolize decisionmaking on money supply and credit volume. This is because the chief characteristic of money is fluidity, while being the "wheel of circulation" for commodities. Money circulation is highly centralized, without any space limitation. Therefore, the central bank's structure should be highly centralized. The central bank's main task is to formulate unified money policies. The macroeconomic targets of money policies are a bearable growth rate of the national economy with intension as the key, a rational increase in the consumption fund, a balance in international income and expenditures, and stable prices. In rendering services to these economic targets, finance relies chiefly on the monetary lever. Money supply will be tightened in case of an overheated economy, and will be relaxed in an economic downturn. We should not require unanimity when the money supply is tightened, while preventing a loss of control when the money supply is relaxed. We

should give full play to money's primary and continuous motive force as well as its stabilizing role. To implement unified monetary policy, it is necessary to gradually change the local qualities and decentralization of the money supply of organs under the Central Bank. Money supply and credits of the central bank should be subject only to the macroeconomic targets of the central government, and the localities have no right to revise them. China has a vast territory, but suffers from imbalanced economic development. With the development of commodity economy, several economic regions will take shape. Branches under the central bank should be established step-by-step corresponding to the new economic regions, while in the few border regions, its branches can be established in accordance with administrative regions (for example, Tibet, Hainan, and the special economic zones). Only then, will it be possible to gradually overcome such phenomena as "granting loans based on orders from above," and "projects launched with a special request on an unofficial note from some superior." The implementation of the method of contracted responsibility with credits in some provinces and cities has really played a certain role, and given play to localities' initiatives in showing concern for finance. However, with the development of the commodity economy and its link with the national money market, contracted responsibility with credits in localities may bring about some negative phenomena.

Strengthening the centralization of the central bank involves sensitive and rapid means of communication. It is necessary to speed up the building of a computerized financial communication network, so that the bank may promptly master economic and financial information to speed up the transfer of money. The central bank's information, and balance networks are the trunk network in the computerized financial network as well as the final and immediate payment network for balance between banks. Through the central bank's trunk network, the speedup of money circulation as well as the spread of credit cards, automatic balance, and direct deposit of wages to saving accounts may be accomplished.

Taking indirect regulation as the key step-by-step, while conducting necessary direct regulation to link necessary government intervention with financial legislation.

In improving the macroscopic financial environment, it is necessary to gradually take indirect readjustment as the key, while conducting necessary direct readjustment. Indirect regulation chiefly refers to the regulation of interest rates, foreign exchange rates, rates of premium, turning banks into enterprises, and competition between banks in rendering services. During the period when improvement and rectification are taken as the key, a certain floating proportion should be allowed in regulating the patterns of various financial prices in line with the basic prices stipulated by the government. Price changes should be conducted based on supply-demand conditions, while adhering to the policy, taking the

following as the key: Stable prices, greater stock, economic results, and structural readjustment of industrial loans. Before the central bank has an appropriate financial apparatus for open market operations, credit volume and cash management are the chief means to maintain control over the money supply. This involves the following aspects:

1. Functional intervention. Financial organs of various types should observe the approved operational realm. Strict control should be conducted over investment organs, foreign exchange operational organs, and newly established organs in operation.

2. Risk intervention. The highest proportion of a bank loan volume in deposits should be stipulated, and loan volume should not exceed the highest proportion of the organ's own capital. In giving loans, the enterprise's credit grade should be assessed, and loans granted to enterprises of the third or fourth credit grade should be kept under strict control.

3. Loan policy intervention. The bank's role in supervising credits should be stressed. Credit punishment should be practiced toward such behavior as speculation, hoarding, raising prices and rushing to purchase, extravagance and waste, unsanctioned projects of capital construction, and groupings' purchase as well as violations in regulations for cash management, all practices of seeking exorbitant profits by taking advantage of the differences between the two price structures, and frauds in properties registration and balance sheet to evade taxes, so on and so forth. Credits should be granted based on the government's industrial policy with readjustment in credit industry setup. Structural readjustment of credits' economic results should be conducted based on the enterprise's credit grade.

4. Checkup on credits. The State Council and the central bank should establish a checkup system on credits at regular and irregular intervals.

5. A bank law should be promulgated along with relevant special laws and degrees on merger, stock-holding, interest rates, credit contracts, and cash management.

Combining longer-range planning for financial targets with efficient short-range arrangement. Monitoring the situation in monetary changes on a monthly and quarterly basis to determine long-range, short-range as well as quarterly alert levels.

In the period of improvement and rectification, it is necessary to formulate a rather long-range plan for financial targets, while making efficient short-range arrangements. It is necessary to prevent short-range behavior, while preventing the phenomena of neglecting process management. Money circulation goes on and on even with seasonal fluctuations. Moreover, it usually takes at least 6 months for any money policy to start functioning from the day it was promulgated. Therefore, financial organs should have a long-range financial plan, especially the central bank should formulate a long-term macroscopic money policy based on the national economic plan. Planning as such should determine such targets as long-term money supply (including different

volumes of money supply, M, M1, M2...), money-flow rate, credit industry setup, and the structure of economic results. At the same time, it is necessary to fix a target of savings deposit from citizens' money income, targets of direct and indirect financial money scope, targets of interest rates, foreign exchange rates, rates of premium, and targets of funds from various sources, the proportions of loans for capital construction, circulation funds as well as technical transformation, to guide enterprises along the line of intensive development and the national economy along the line of modernization, intensity, and high efficiency. Regarding the mid-range planning in the period of improvement and rectification, it is necessary to formulate various measures to halt inflation and to stabilize prices to create a new financial situation that is stable, orderly, sensitive in information, with the role of economic levers given play.

The more the commodity economy is developed, the greater the possibility for the surfacing of a situation by which "everyone enters the bank, and the bank takes care of everything," with the forecast impacts and psychological factors of money becoming more remarkable. The central bank should monitor the everchanging monetary situation on a monthly and quarterly basis to adopt prompt measures. The central bank and banks of various categories should closely watch the development in the money market, set up each of their own targets in monitoring the monetary situation, including wholesale price indexes, retail price indexes, bank deposits, savings in urban and rural areas, investments in capital construction, consumption fund, stock in commerce, factories' finished products and reserved funds, credit volume, balance, monetary issue, and monetary changes in a broad sense such as M1 and M2, and a series of changes in the targets of import and export in foreign trade, interest rates, national debts, financial revenues, and expenditures. These changes are monetary signals. It is necessary to determine short-term, long-term, and quarterly alert levels.

The transmitting channels for various monetary policies in improvement and rectification, improving and rectifying the credit network, and rectifying and nurturing the financial market.

In the course of improving the macroscopic financial environment, it is necessary to improve and rectify the transmitting channels for various monetary policies. In economically developed capitalist countries, the transmission of monetary policies is conducted through credit effects, securities effects, and wealth effects (to bring about changes in the income of monetary assets and physical assets of holders). At present, China's monetary markets are mostly at a primitive phase. The chief channel for transmitting monetary policies remains the credit channel. This means, China's finance remains indirect finance with the bank as a medium, while direct finance through transaction at the financial market is insignificant. Therefore, China's inflation was mostly sparked off by losing control over credits. Credits are the

main channel for cash input and money input in a broad sense. Control over credit volume, structural readjustment of credits, and strengthening cash control are the master valve to check inflation. Bank organizations distributed nationwide and their relations with clients in deposits and loans have developed into a credit network. If money is considered to be the lifeline, and finance and the banking system the heart of commodity economy, the credit network will be the nervous system of economic transactions.

It is necessary to turn China's credit network into a network which is efficient, honest, and omnifunctional through credit checkup in the course of improvement and rectification. This network should function in rendering services, accounting, policy-making, and supervision. Personnel in charge of credits, clerks operating at counters, and primarily the bank leadership should implement money policies, observe credit policies, and adhere to honesty in granting credits by refraining from making loans based on human feelings, and accepting commissions or bribes in any form. At the initial phase of socialism, insufficiency in funds is a long-term phenomenon. The bank should always try to attract more savings and deposits, while working hard to spend every penny of credit (which is the bank's "product") in industries and enterprises that need it most, so that every loan may conform to credit policies while yielding good economic results.

While improving and rectifying the credit network, it is necessary to improve and to nurture the established money market. The financial market must become one with the financial apparatus, organization and order, regulations and laws, and it must be well informed, provide rational prices, and be capable of checking inflation. Whether the financial market will thrive depends on whether it possesses an ever enriching financial apparatus (monetary commodities). The development of the financial market should be linked to the change from credits to the securities (apparatus). The financial market should guide savings and investments to pluralism (such as certificates of deposits, stock certificates, treasury bonds as well as all forms of value-maintaining savings and apparatus for financial investments aside from bank savings books.) The financial market should also guide consumption to variation (such as turning resident houses into commodities, activities in science and culture, and all sorts of labor services and other services), life and property insurance, and the acceleration of final accounts (by means of commercial papers, computerized transmission, automatic settlement, and credit cards). These are plural channels instead of the sole channel of commodity consumption to reabsorb currency from citizens' income.

At the initial phase of building and nurturing the financial market, the key does not lie in the number of markets, but their quality improvement. If every economic region has its own highly efficient and standardized central financial market, it will bring along the

financial apparatus transaction in the economic region. At present, manpower and material resources should be amassed to strengthen the building of central financial markets, and experiences in market management should be summed up. The roles of the few central markets in the country should be given full play to guarantee the security of the investor's funds, easy operation, and price stabilization. Financial transactions tend to be concentrated, and world financial transactions are mostly concentrated in such financial centers as New York, London, Tokyo, and Hong Kong. We should study the experiences of various countries in building their own financial markets.

To give play to the regulating role of the financial market, and to move along the line of "the state regulating the market, the market guiding enterprises," China's central bank should also build its own "open market operation," to directly master a kind of financial apparatus to be marketed and purchased at regular and irregular intervals to regulate the bank reserve. Utilizing such policy apparatus to regulate money supply and interest rates will be helpful to the bank in learning to use economic means to regulate the market, to take precautions against inflation, consequently to halt it.

To strive for a balance in international payments and stability in foreign exchange rates, the most important point is the power to control import and export, and to make foreign loans.

Balance in international payments is an important issue of the macroscopic financial environment. In international payments, we are facing the acute shortage of foreign exchange. Regarding China, foreign exchange means science and technology. To realize modernization, China must import advanced science and technologies from foreign countries, which in turn involve sufficient foreign exchange. On the other hand, there is a limit in foreign exchange to be spent in importing science and technology. This primarily depends on the competitiveness of China's exports and labor service in the work market, and the volume of exports under the precondition that domestic demand must first be met. Of course, China can always import some foreign capital when it is short of foreign exchange; however, this always involves repayment and interests to be paid every year before the loan is cleared. China's capabilities for repayment of foreign loans and their interests must be taken into consideration. Even if China is capable of doing so, the stability of foreign exchange rates must also be calculated. Foreign exchange is a kind of financial commodity, and foreign exchange rates are the prices for hard currencies. Prices are governed by the law of supply and demand. Under the condition of excessive demand for hard currencies against the meager hard currencies acquired through export (constant deficits), the renminbi will devalue. This, in turn, will help inflation grow. Therefore, to strive for balance in international payments and the stability in foreign exchange rates is one of the important essences in improving the financial environment.

Great efforts are involved in fighting for a balance in international payments and in stabilizing foreign exchange rates. The most important point is the power to control export and to make foreign loans. The limited raw materials for export commodities should be allotted to those with competitiveness in the world market, and not be vied for in increased prices resulting in a high production cost for export commodities, which will bring in substantial hard currencies. All commodities that China can produce at home, with their qualities and prices up to standards, should no longer be imported, nor should parts be imported for assembling under some pretexts. At the same time, work in controlling foreign loans must be strengthened. Approval must first be obtained in making a foreign loan. Corresponding legislatures are involved. With unified decrees on foreign trade and foreign loans, we should advocate quality improvement of export commodities; competition in lowering their production cost to bring in more hard currencies; open up new commodities and labor services that will bring in hard currencies; and develop genuine operation in "putting two ends abroad" and "processing with supplied materials, drawings, and samples; assemble with supplied parts," while foreign trade departments should become umpires (through agents) of export commodities. Of course, there should be criteria, grades, and responses in the results of such judgment to change the past practice characterized by "showing no discrimination to whatever products, good or bad," with the genuine implementation of the survival of the fittest. It is also in-depth reform that the blind competition in the wake of decentralization involving foreign economic relations be changed into competition in an organized way, with leadership, and "results in judgment" under appropriate centralization.

Money Circulation Problems Analyzed
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24 Mar 89 p 3

[Article by Zhong Pengrong (6988 2590 2837): "An Exploratory Analysis of Several New Phenomena in the Course of Money Circulation"]

[Text] At present, many new phenomena are appearing in the course of money circulation in our country. Their prominent manifestations are: "External circulation" of money and capital rapidly increases; agricultural and sideline products are purchased with informal notes; money in circulation is excessive while the financial capital of enterprises is seriously short. Whether the contraction policy can be successful depends on the way we understand and handle these new phenomena.

How should we handle "external circulation"?

—There are now two types of "external circulation": "External money circulation" and "external capital circulation." "External money circulation" will only change the method of circulation for a fixed amount of money; on the other hand, "external capital circulation"

will lead to inflation. Therefore, control should be focused on "external capital circulation" and not "external money circulation."

What people describe as "external circulation" should be divided into "external capital circulation" and "external money circulation." "External capital circulation" means that idle social capital is raised and allocated by means of direct financing and not through banks; while "external money circulation" means that transactions of enterprises are not settled by bank transfers but by cash payment. The former is a change in the ways of collecting and allocating credit capital, while the latter is a change in the way of money circulation.

The contraction of bank credits is the common cause of both types of "external circulation." Due to the contraction of bank credits, enterprises are unable to obtain loans from banks. So they have to raise funds in society by offering a higher interest rate or even by using compulsory means. This constitutes "external capital circulation." When the banks limit the growth of the money supply, they call in previous loans as well as reduce the number of new loans being granted. In order that their money will not be taken by banks for repaying loans, enterprises refuse to accept payment through bank transfers in selling commodities, and request buyers to pay cash. This constitutes "external money circulation." Another important reason leading to "external money circulation" is the ineffective bank transfer system in settling accounts, forcing enterprises to settle accounts with cash.

The two types of "external circulation" have different consequences. Both raising funds in society and granting bank loans will increase the amount of money in circulation. If the scale of bank credits cannot be contracted correspondingly, raising excessive capital in society will inevitably lead to inflation. Moreover, the flow of capital by raising capital in society may not be consistent with the requirements of structural adjustment. Investment projects which should be cut and enterprises with poor economic results may develop faster than short-term investments and highly efficient enterprises through compulsory fund raising. It is different for "external money circulation," which changes only the way money is circulated without increasing the total amount of money in circulation. So if an enterprise has 100,000 yuan, it can only have a purchasing power of 100,000 yuan, no matter whether the transaction is settled by means of a bank transfer or by paying and receiving cash.

According to the different consequences of the two types of external circulation, we should concentrate our forces on controlling "external capital circulation." To control "external capital circulation" does not mean to stop raising capital in society, but to put the practice of raising capital in society under the central bank's financial control. So at the same time of increasing the amount of capital raised in society, there should be a corresponding contraction of the scale of bank credits, so

that the total amount of money in circulation formed by bank loans and fund raising in society will not exceed the objective demand of commodity circulation. In addition, we have to guarantee that the flow of capital is consistent with the requirement of the economic structural adjustment. In respect of "external money circulation," we should transform it into "internal circulation" by means of improving the banks' settlement methods. This will help to save the expense of money circulation. However, before the bank settlement channels are cleared, it is not necessary for us to control such expenses by compulsory means, which will only result in an increase of "external circulation."

How should we handle the practice of purchasing agricultural and sideline products with informal notes?

—The fact that people purchase agricultural and sideline products with informal notes is not due to a capital shortage but to a money shortage. Generally speaking, the money supply for purchasing agricultural and sideline products will not lead to price increases, regardless of the amount of money being supplied. Therefore, we should be able to meet every demand for money for purchasing agricultural and sideline products.

Macroscopically speaking, capital and money belong to two different spheres. Only the various types of realistic production factors and goods and materials that can be directly used as production factors can constitute an entity of social capital. To an individual enterprise, money is a part of capital; but to society, it cannot function as capital but as evidence of capital and as a medium of transaction.

The shortages of money and capital are the phenomena that always appear in the operation of our country's macroeconomy. The macroscopic shortage of capital refers to the inadequate total amount of certain production factors, making it impossible for some other production factors to be fully utilized. By increasing the money supply, it will be impossible for us to eliminate this type of capital shortage. On the contrary, it will further intensify the shortage of capital. The situation of the money shortage is different. It refers to the situation that there are commodities for sale in society, but due to the lack of the medium of transaction, these commodities cannot be circulated. This is the situation under which people have to purchase agricultural and sideline products with informal notes. Under such circumstances, on the one hand, the peasants want to sell agricultural and sideline products, and on the other hand, commercial departments want to purchase such products. Only because the latter lacks the purchasing means, can the transaction not be carried out, or the latter has no choice but to force the peasants to accept informal notes which are used as a means of circulation. Microscopically speaking, the fact that commercial departments lack purchasing means reflects that these

departments are short of capital; while macroscopically speaking, it implies a shortage of money in the agricultural and sideline products market.

It seems to be contradictory to the existence of inflation in our country if we say that agricultural and sideline products have to be purchased with informal notes is a result of the money supply shortage. If money in circulation is excessive, why is there inadequate money for purchasing agricultural and sideline products? The problem lies in the fact that the circulation of money for purchasing agricultural and sideline products is separated from the circulation of money in the whole commodity market. Since agricultural and sideline products are mainly purchased by commercial departments of the state, other enterprises or individuals are unable to buy such products easily, even if they have a lot of money. All the capital of commercial departments of the state are supplied by bank loans. Under the circumstances that the scale of credits has already been expanded through other channels, and the money in circulation is excessive, the banks attempt to control the total amount of money in circulation by checking the supply of money for purchasing agricultural and sideline products. As a result, the two phenomena of an excessive total amount of money in circulation and inadequate money for purchasing agricultural and sideline products appear simultaneously.

These contradictions are related to the loss of capital for purchasing agricultural and sideline products (to specialized banks and commercial enterprises, this part of money is their capital) before such products are purchased. The loss of capital in this way occurs mainly in two sectors: The first is when specialized banks use part of the purchasing capital to grant capital construction loans; the second is when departments dealing with transactions of agricultural and sideline products use part of the floating capital to develop capital construction projects of their own units. So following the expansion of capital construction, money in circulation increases, but the capital for purchasing agricultural and sideline products becomes inadequate. To fundamentally solve the problem of purchasing agricultural and sideline products with informal notes, we must check the loss of purchasing capital before agricultural and sideline products are purchased. A feasible method to solve the loss of capital is to separate a bank from other banks to become a "purchasing bank" specializing in the operation and management of the purchase of agricultural and sideline products. The central bank is to grant this bank working capital for purchases for long-term use. The basic task of the bank is to guarantee the normal circulation of the purchasing capital. For this reason, we have to strictly prohibit the bank from granting any loans for capital construction. During the period when the purchasing capital is temporarily idle, the capital can be used for granting loans in the form of short-term floating capital, but the bank must guarantee that the loans can be recovered at maturity. Also, the bank is responsible for strictly supervising and examining the use of capital

by departments dealing with the agricultural and sideline products transactions. The director of the bank has to be responsible once agricultural and sideline products are purchased with informal notes.

Under the present situation that the purchasing capital has been declining before agricultural and sideline products are purchased, the central bank should promptly supply additional purchasing capital to guarantee that agricultural and sideline products can be successfully purchased. Though this may lead to the further expansion of money in circulation, no further price increases will be caused. The reason is that money in circulation will be increased through the purchase of agricultural and sideline products, and the amount of goods and materials in commercial departments and enterprises processing agricultural and sideline products will be increased. These goods and materials will soon become fast-selling goods after a short processing procedure. If these fast-selling goods are sold in the market, all the money supplied for purchasing agricultural and sideline products will be recovered. Therefore, the demand and supply of money for purchasing agricultural and sideline products will be balanced.

How should we handle the phenomena of excessive money in circulation and the inadequate money capital of enterprises?"

—The main reason is that there is a large amount of enterprise capital being transformed into profits during the course of inflation, and in turn transformed into personal income. To avoid such a transformation, we must change the historical cost accounting policy into an inflationary accounting policy. Transformed parts should be retransformed as soon as possible.

Usually, if money in circulation expands, the demands of enterprises will also expand. However, the existing reality of our country is: Though money in circulation has expanded, enterprises do not have money to purchase raw and processed materials. There are many reasons contributing to this phenomenon, but the main reason is that a large amount of capital has been transformed into profits during the course of inflation, and in turn transformed into personal income.

Generally speaking, the capital of enterprises exists in the forms of money capital, production capital, and commodity capital. During the course of inflation, the nominal values of production capital and commodity capital increase as prices rise. However, under the current accounting policy of historic cost basis, financial statements do not accurately reflect the appreciation of these two parts of capital. As a result, the appreciated part is transformed into profits. For example, a particular enterprise uses 1 million yuan to purchase raw and processed materials. Due to inflation, the prices of similar raw and processed materials in the market increase by 50 percent, and so the raw and processed

materials kept in stock also appreciate 50 percent. Therefore, the actual value of raw and processed materials being transferred into new products should be 1.5 million yuan. But under the present accounting system, the enterprise calculates the cost of raw and processed materials as 1 million yuan. The appreciated 500,000 yuan is transformed into the profits of the enterprise. As most of our country's enterprises have exercised the contract system, this additional profit is not shared by the state, but solely reaped by the enterprises. If enterprises practice long-term behavior, they will voluntarily use this part of the profits to compensate capital losses. Due to the short-term behavior of enterprises, about 80 percent of their retained profit has been turned into bonuses and material benefits. In other words, 80 percent of the profits transformed from capital has been distributed to individuals. In the new production cycle, if enterprises use a compensation fund drawn according to historical costs to purchase raw and processed materials, machines, and equipment that are sold at current prices, a large gap will appear between the two prices.

The above phenomenon was most prominent at the beginning of this year. In January, enterprises' deposits fell 16.4 billion yuan compared with the same period last year; while the expenditure in terms of salaries and wages increased 61.2 percent. On one hand, the deposits of enterprises fell, and on the other, the expenditure in terms of wages and salaries increased. In essence, part of the capital of enterprises was transformed into personal income.

After part of the capital has been transformed into personal income, if individuals put this part of income into banks, which in turn lend it to enterprises to compensate for the capital shortage, then enterprises can still carry out reproduction. However, as the whole situation of prices is not too steady, many people do not deposit their money into banks, but purchase more commodities or hold money for future purchases. In this way, when the capital of enterprises drops, there is a corresponding decrease in the sources of capital for specialized banks. In addition, the central bank tightens the money supply. So specialized banks are unable to grant more loans to enterprises. The result is that the money in circulation becomes excessive while the money capital of enterprises is inadequate.

In order to prevent the capital of enterprises from being further transformed into personal income, we must promptly change the historical cost accounting policy into the current cost accounting policy, so the most important problem in obtaining enterprises' profits is to keep the original capital unchanged. To the part of capital which has already been transformed into personal income, we should adopt measures to retransform it into enterprise capital. At present, a more effective method is to increase fund-raising by enterprises at the same time of further contracting credits by specialized banks. Fund raising by enterprises is superior to indirect financing by banks in that individuals cannot withdraw this part of funds to purchase consumption products

within the contracted repayment period once it is used in production. It is especially so for fund raising by means of issuing shares, which can transform consumption funds into capital for long-term use by enterprises. However, we must guarantee two conditions if we adopt this measure: First, if we raise capital in society, the scale must be consistent with the scale of credits being contracted by banks. Only by doing so can we avoid fund raisings in society from causing further inflation. Second, the contraction of credits by specialized banks and the increase in capital raised in society must conform to the industrial policy promulgated by the State Council. Special banks realize the contraction of credit scale mainly through cutting loans for producing products of which production should be stopped or strictly limited and loans for capital construction projects. Fund raising in society is limited only to those products or properties which should be specially supported. In this way, we can solve the contradiction of excessive money in circulation and inadequate money capital of enterprises, improve the industrial structure, and stabilize the price level.

Shortage of Circulating Funds Viewed

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[Article by Hu Fengxiang (5170 7685 7449), edited by Lin Daojun (2651 6670 0689): "Shortage of Circulating Funds in Industrial and Commercial Enterprises—Its Cause and Countermeasures"]

[Text] Over recent years, the central bank has adopted a contractionary policy on issuing loans to specialized banks. This apparently has worsened the situation where industrial and commercial enterprises are short of funds. What are the reasons for the shortage of funds? This is a question we must seriously study and solve in deepening the financial and enterprise reforms. This writer believes that the reason for the shortage of circulating funds is not only due to an insufficient aggregate supply of funds but also to the imbalance of the time structure of circulating funds and the irrational management and limits of authority on the supply of funds. The purpose of this article is to analyze the problem and to find a solution.

I. Reasons for the Imbalance of the Time Structure of Circulating Funds

In general, it takes circulating funds several days or several tens of days to revolve once, while fixed funds take several years or even several decades. This is the basis on which China has always considered circulating funds as short-term funds and fixed funds as long-term funds. It seems that this is also the basis on which the circulating funds of state enterprises are managed by banks in a standardized way. In reality, not all circulating funds are used for the short-term. In analyzing the continuous nature of reproduction, social production and circulation are being conducted continuously, and circulating funds and fixed funds are also being constrained in the course of production and circulation.

Money will be transformed into raw materials, fuels, and supplementary materials, and these will become production inputs and will then become products; and through exchange another cycle will start. Even though goods and materials will be replaced continuously, a certain amount of goods and materials will be precipitated [chen dian 3089 3244] in the process of production and circulation. If the funds used in maintaining this amount of goods and materials cannot be handled well in time, these funds will then be in use and pile up for a long time. In analyzing the characteristics of the operation of circulating funds, we have found that circulating funds have an operative aspect and a precipitated aspect. The operative aspect shows the changes in the value of funds and renewal of material; and the precipitated aspect shows the participation of funds, which are the means of production of enterprises, in the process of reproduction. The operation and precipitation of funds have formed the entirety of the operation of funds. The cycle and revolving of circulating funds cannot be comprehensively shown if precipitation of funds is not taken into account. However, the precipitation of circulating funds is different from that of fixed funds. The precipitation of circulating funds involves a minimum level of regular holding of funds as well as an irregular holding of funds. The regular holding of funds means the amount can be determined. However, in the process of reproduction where there is continuous circulation, this amount of funds cannot be withdrawn and used in other areas at will. Therefore, such funds are being used on a long-term basis. The latter is the amount of funds that exceeds the fixed amount of circulating funds, and the amount of such funds is not fixed. Moreover, such funds will sometimes drift away from the production process. Therefore, they are mainly being used on a short-term basis. Therefore, we should regard the minimum level of circulating funds needed by enterprises as long-term funds, and regard those needed by enterprises on a seasonal or a temporary basis as short-term funds.

Since the circulating funds employed by an enterprise can be divided into long- and short-term funds, we should differentiate the sources of the circulating funds, and we should not use short-term funds to satisfy long-term needs, and vice versa. This is because although the possession and use of funds and goods and materials made possible by the allocation of long-term funds can, through repeated turnover, give rise to repeated purchasing power and, although the supply of goods and materials can be repeatedly renewed and put into circulation, the ways in which they can be used are fixed; and this amount of funds cannot be withdrawn and used in purchasing other things, and cannot be in other forms of circulation. If we use short-term funds to satisfy long-term needs, or vice versa, an imbalance in goods and materials supply as well as money circulation will result. This clearly shows that the cause of the shortage of circulating funds is not only due to an insufficient supply of the aggregate amount of funds. We should also explore

the reason from the aspects of the time structure of the supply of funds, the limits of authority on managing the supply of funds, and the scope of the supply of funds.

Over the past several years, due to the fact that circulating funds have been one-sidedly interpreted as short-term funds, nearly all accumulative long-term funds have been used in fixed asset investment. Moreover, since circulating funds have been managed by banks on a unitary basis, it has also been misinterpreted that all circulating funds are supplied by the credit funds of banks. This serious distortion of the supply structure of funds has resulted in a severe contradiction between the sources and uses of funds as well as a large amount of short-term funds being used and possessed on a long-term basis. Therefore, on the one hand, the amount of loans issued has increased rapidly, and an expansion of credit has resulted. On the other hand, a large amount of short-term funds has been precipitated, circulation difficulties have thus resulted, and the problem of the shortage of funds has been worsened. This phenomenon of expansionary shortage is exactly an obvious characteristic of the problem of imbalance in the time structure of funds. Under the situation where there is a full-scale and serious shortage of circulating funds, all parties will expect banks to supply them funds. If banks have to become responsible for all the funds required by all enterprises, they will have to over issue money. However, if banks do not supply enterprises money, economic development will be affected. Over past years, even banks have been very cautious in supplying funds, the phenomenon of over-issuance of money still exists, the demand for funds is still very high, and commodity market prices have also become difficult to control. All these phenomena are disadvantageous to the perfection of the self-constraining mechanism of enterprises.

II. Consequences Brought About by Imbalance in the Time Structure

When accumulation, which is the increase in society's material wealth, is used in expanding reproduction, it should involve two aspects: Fixed asset accumulation and circulating asset accumulation. Since the implementation of the economic structural reform, accumulation has been divided into state and enterprise accumulation. Both state and enterprise accumulation cover fixed asset and circulating asset accumulation, and a relatively stable proportion should be maintained between them. However, over the past several years we have not handled these aspects well. This is mainly shown in this situation: Since the decisionmaking power of enterprises has been enlarged, enterprises have become too eager to allocate the after-tax profits over two aspects. On the one hand, they have been very keen on fixed asset investment. On the other, they have been very keen on increasing the consumption fund and have not correspondingly increased circulating funds; and once fixed asset investment projects are completed and put into operation, they thus demand that banks supply them circulating funds. This has thus further worsened the

circulating funds shortage. This type of irrational allocation structure has caused very harmful effects for the development of the national economy.

First, the scale of fixed asset investment has been out of control. Within a certain period, the aggregate amount of funds in society will be fixed. If an amount of money, which is originally designated as circulating funds, is used in fixed asset investment, the investment scale will of course be out of control and will thus expand. The phenomenon of "hungry for investment will thus be further worsened.

Second, banks have no choice and have over issued money. This is an inevitable result of the misinterpretation of unitary management of funds by banks as unitary supply of funds by banks. Under the situation where the amount of loans, which is taken by enterprises as circulating funds, has exceeded the amount of credit they have obtained, social aggregate demand will of course exceed social aggregate supply. This is an important factor leading to runaway commodity market prices.

Third, production and commodity circulation have been affected, and an increase in investment returns has been hindered. Due to the shortage of circulating funds, some completed projects cannot be put into operation and, thus, they cannot bring in any returns. Moreover, due to the shortage of circulating funds, production and commodity circulation have been blocked and financial problems have resulted. This type of expansionary shortage is an inevitable result of the abnormal allocation of accumulation, which is caused by an imbalance in the time structure of funds.

III. Methods for Solving the Problem of Shortage of Circulating Funds

First, the time structure of circulating funds should be adjusted. In solving the problem of the shortage of circulating funds, the time structure of long- and short-term funds should be adjusted, and a balance between the sources and the uses of long- and short-term funds should be achieved. The time structure of loans should be fixed in accordance with the proportion between long- and short-term funds. For the use of fixed-amount circulating funds, corresponding sources of long-term funds should be arranged, and the practice whereby circulating funds are only supplied by banks should be changed. A program under which the finance departments, enterprises, and banks supply 30 percent, 35 percent, and 40 percent of the fixed-amount of circulating funds, respectively, can be designed. Under such a program, finance departments should be responsible for supplying 30 percent of the circulating funds required by enterprises in developing production expansion, and this amount of funds should be taken from the annual accumulation of finance departments. When this amount of money is supplied, finance departments can then consider other investments. Enterprises should also

withdraw a large portion from the production development fund and should use this amount of funds as circulating funds. When enterprises want to launch new projects, they have to secure 30 percent of the basic level of circulating funds. Banks should mainly use the funds owned by them and fixed deposits to supply enterprises an amount of circulating funds which is within their quota. After fulfilling the amount of circulating funds, which is within the quota, required by enterprises, banks can use the remaining long-term funds to issue fixed asset loans (that means banks should first use their long-term funds to meet the enterprises' need for circulating funds which are within their quota, and banks can then consider fixed asset investment). Interest rates on the additional amount of bank loans that have to be issued to finance departments and enterprises to meet the insufficient amount of circulating funds which are within quota and should be allocated to subsidize them should be set at a higher level. In this way, a large amount of short-term funds will be released from the long-term holding to satisfy seasonal and temporary needs for funds, to eliminate the imbalance between the sources and use of long and short-term funds, to ease the contradiction between supply and demand, and to gradually solve the problem of the shortage of funds.

Second, the scale of fixed asset investment should be controlled, and budgetary constraints on investment should become rigid. In the future, for finance and for establishing new industries, a basic level of circulating funds for newly launched and expanded projects should be arranged in accordance with the normal proportion between the amount of fixed assets and the amount of circulating funds of different industries. Capital construction projects which receive funds raised by enterprises themselves should be controlled. The funds accumulated by enterprises themselves should be rationally allocated in accordance with the proportion between the amount of their fixed and circulating assets. Economic supervisory departments, such as banks and auditing departments, as well as departments in charge of enterprises should handle well their task of supervising the use of accumulative funds of enterprises. They should induce enterprises to rationally allocate funds in accordance with the principle that circulating funds should first be secured and fixed asset investments should then be arranged.

Third, "unitary management" and "unitary responsibility" should be correctly interpreted. Unitary management is different from unitary responsibility. Unitary management means that banks will unitarily manage the existing circulating funds of enterprises. For instance, banks should ensure that enterprises have an adequate amount of circulating funds; should ensure that a certain proportion of circulating funds should be supported by annual contributions withdrawn from the production development fund in accordance with stipulations; should regularly inspect and analyze the operation of enterprises' circulating funds (for instance, they have to investigate whether there is misappropriation and forced

holding of funds; and whether the distribution of funds is rational, the funds are normally used, special funds are used for exclusive purposes, and so on); should help enterprises set up "within factory banks"; and so on, so as to enhance the self-control capability of enterprises. The fundamental purpose of management is to ensure adequate supply and continual replenishment of circulating funds. "Unitary responsibility" means that banks have to ensure the supply of the circulating funds required by production enterprises. In normal economic life, the growth in bank loans is part of the reallocation of the funds in society, and it should be constrained by the growth of the national economy. The aggregate scale of the loans issued should be determined by various constraining conditions. Otherwise, economic laws will be violated, and production development and growth in the people's standard of living will be directly affected. Therefore, banks should not be responsible for the supply of all the circulating funds needed by enterprises. In the past, enterprises relied on specialized banks for the supply of funds, while specialized banks relied on the central bank for the supply of funds. Since the practice of "eating from the big communal pot" was abolished, the central bank is no longer responsible for supplying the funds required by specialized banks, and specialized banks also are no longer responsible for supplying funds required by enterprises. However, many enterprises still cannot adapt to this situation. Therefore, for enterprises' circulating funds that banks should control, banks should manage them well in a proper way and definitely should not supply enterprises circulating funds that should not be supplied to them. In issuing loans, banks should have the power to choose the forms, amount, time period, and magnitude of the interest rate of the loans, and they should not be interfered with by any administrative interventions. The internal management of a bank should also be modeled on enterprise management and made systematic and standardized, so as to achieve as soon as possible the unification of responsibility, power, and interest.

Article Views Prevention of Debt Crisis

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[Article by Chen Jian: "The Key to Preventing a Debt Crisis"]

[Text] Ten years ago, China had neither external nor internal debts. However, through the pursuit of the policies of opening and reform, China has rapidly learned how to raise foreign loans and make effective use of them. After an initial period of caution, China has rapidly stepped up the scale of its borrowing, both domestically and externally.

A Knife Cutting Both Ways

It is estimated that the country's external debt now amounts to U.S.\$40 billion—U.S.\$30 billion from long- and medium-term borrowing (with repayments spread

over more than one year), and U.S.\$10 billion in short-term loans. Of the long- and medium-term loans, around 60 percent has been borrowed by the state, and by the end of 1987, they accounted for 6 percent of the country's gross national product (GNP). In addition, over the past nine years, China has created 35 billion yuan of internal debt by issuing state treasury bonds. In 1987 alone, it issued bonds worth 10 billion yuan for key construction projects and enterprises. At the same time, various other kinds of bonds and securities have appeared in different parts of the country.

The money borrowed has played a major role in instilling new vitality into China's economy. But the borrowing spree has started to worry increasing numbers of people. A few years ago, public opinion was widely in favour of a bold policy of borrowing. Now, however, many people think China should cut back on new loans and readjust the structure of its national debts. Some people even urge an abrupt and complete halt: They cite the increasingly serious debt crises faced by some Latin American countries and the economic problems of Yugoslavia and Poland.

However, to accomplish its modernization drive and maintain an appropriate economic growth rate, China needs large amounts of funds. Large-scale borrowing can help meet this demand, but it carries with it the threat that over-borrowing can make it necessary to raise more debts in order to repay the capital and interest on money already borrowed. As the country approaches its first repayment peak, the threat of being caught in such a trap looms ever larger.

In other words, foreign loans are a knife that can cut both ways. The problem of determining which way the blade will fall warrants the serious contemplation of economists and politicians.

Diversification of Capital

In the decades up to 1978, China's fund-raising channels for economic construction were severely restricted, determined as they were by the highly centralized system of the planned economy. After the large-scale socialist transformation of the 1950s, the ways for non-governmental capital with its great vitality to increase in value were blocked. Immediately afterwards, the limited amount of foreign funds coming from the socialist countries was withdrawn. Under such conditions, the state was forced to rely on its own overcentralized planning system to accumulate funds through increasing industrial production and keeping the prices of agricultural products at a low level. And although the planned economy possesses a powerful strength in pooling funds. It suffers from the major shortcoming of the low efficiency inherent in a system where the government controls capital.

Since China launched its programme of economic structural reform in 1978, it has concentrated much attention on opening up two other fund-raising channels—utilizing both overseas capital and idle domestic funds. In 1979, China opened Shekou and then Shenzhen to external economic exchanges. This was followed by the opening of some major coastal cities and regions. Last year, a strategy for economic development along the entire coast was implemented—one of its major aims being to import more foreign funds.

As China's reforms have unfolded and the economy grown in strength, a third source of funds has taken shape: The money lying idle in Chinese society. Since the early 1980s, rural enterprises have continuously expanded. Their total payroll has grown by an average of 10 million people a year. The proportion of individually operated and private enterprises in the national economy has also increased. By the end of 1987, savings deposits of people in both urban and rural areas had reached 400 billion yuan, and the extra-budgetary funds owned by the non-planned economic sectors had approached 200 billion yuan. The key question is how to convert this enormous amount of idle money into industrial and commercial capital.

After ten years of reform and opening to the outside world, China's once totally planned economy has evolved to a stage where state-planned funds, local funds, foreign governmental funds exist side by side. Therefore, whether China will face a debt crisis obviously cannot be judged simply by the size of its overseas debt: The growth of budgeted and non-budgeted non-governmental capital has also to be taken into account.

The Key Lies in High Efficiency

For some time, many Chinese financial experts have held that there exist various drawbacks in the manner in which China handles the borrowing, utilization, management and repayment of foreign capital. For instance, foreign debts can be raised by various departments separately, and approval can be given by different authorities; the current debt management department still uses administrative means to exercise control over the general scale of foreign debts, but makes little or no use of legal and economic means for flexible, effective qualitative control; and there is a lack of scientific procedures in granting approval for borrowing, thus failing to ensure that all loans, particularly those involving large sums of money, are raised and used wisely and then repaid in due course.

It seems that there are also quite a few problems in the raising of funds internally. In the past, low interest rates and issue through administrative means in essence made internal borrowing a disguised form of taxation. The lack of variety, poor terms of repayment and low interest rate on bonds could neither meet the needs of the extremely diversified forms of idle funds in society, nor regulate the amount of money in circulation bonds' repayment terms.

In recent years, a new problem has arisen, that is, the interest rates on bank savings, treasury bonds, enterprise debentures and national debts have spiraled in turn.

Chinese and foreign experience indicates that when a country over-borrows, any growth in GNP is siphoned off to repay debts—often reducing the economy to a zero or minus growth rate. Can China avoid falling into this trap?

Some people have made the following calculation: China's first debt repayment peak comes in 1990; in that year, the state will have to pay out some 26 billion yuan in principal and interest on internal debts and around US\$7 billion on external debts—some 10-20 percent of all state revenue. This cannot but produce an adverse impact on the country's economic development.

The successful experiences of some countries merit our attention. Colombia and South Korea have not only successfully avoided the pitfalls of a debt crisis, but are now vigorously squeezing into the ranks of the developed countries and regions. South Korea has debts twice as large as China. But, according to expert analysis, it will probably become a net creditor by the early 1990s. Apart from the fact that it has a fairly strong government, it has established a highly efficient industrial enterprise system compatible with high interest rate capital.

Therefore, it can be said that the key to preventing a debt crisis lies not only in determining how the State Administration of Exchange Control should strengthen its powers—indispensable as this is—but, more importantly, in whether the national economy can adapt to the pressure caused by high interest rate on capital and establish a highly efficient industrial setup and enterprise system. In other words, it depends on the success or failure of the on-going economic reform.

Because of this, so long as China's reforms keep advancing, there is no need to worry if the scale of internal and external debts increases slightly. It is only if the reform programme were to be halted that even a relatively limited amount of debt might cause a crisis.

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[Text]

Importing foreign technology is an important component part of our country's economic development strategy and our policy of opening to the outside world. Over the last few years, the development of this work has been

very swift, great achievements have been realized, and we have summed up and realized many successful experiences. However there still exist many problems that are difficult to ignore. These include: There is a lack of long-term planning for guidance and key points are not prominent; this work is detached from domestic research and development work; the work of digesting and absorbing the technology and producing domestic products with it is weak; there is duplicate and blind import of technology; and so on. Of these, the problem of duplicate and blind import of technology is quite widespread and serious. In many cases the process of importing foreign technology includes many discussion with foreign businesses and repeated assessment trips abroad. This results in wasteful losses for the country and produces a bad effect on the international level. In the last few years, some light industry, weaving, and electro-mechanical products have been imported in large volumes in duplicate. The problem has been especially serious in respect of the import of products such as color televisions, refrigerator compressors, washing machine timers, video-recorders, vehicles, and motorbikes as well as the equipment to produce these products. Let us take color television production lines as an example. At present our country has 113 of these lines. Of these, 72 were entirely or partially imported, involving a total investment of 875 million yuan (of which \$200 million was foreign exchange). This has produced an assembly capacity of 15.7 million sets. However, in the near future, the production of color kinescopes and key components will be far from able to meet the demand thus produced and every year it will be necessary to spend \$300 million to \$400 million on importing parts. Further, as foreign exchange capacity is limited, only 25 percent to 30 percent of the overall production capacity can be brought into play. At present 51 of these production lines have stopped production or are idle, and only about 20 of the lines are operating normally. Now, the foreign exchange used in importing the parts far exceeds the investment in importing the production lines, and this has given us a heavy burden to bear.

Thus, we need to sum up experiences and lessons and further clarify the intentions, guiding ideology, principles, and regulations for the import of foreign technology.

1. Importing technology is not equivalent to just importing products and equipment. Importing technology should include the following two aspects: a. Importing software technology, such as specialized technologies, data, information, blueprints, scientific and technological theories, management technology, operational technology, and so on; and b. importing hardware technology, such as products, materials, equipment, production lines, and so on. Regardless of whether we look in domestic or international terms, wherever the work of importing technology has been done well, the primary stress has been placed on the import of software technology.

2. There are many ways to import technology, certainly not just the purchase of patents, products, and equipment. In fact, licensed trade, consultancy, technological

service, cooperative production, joint-venture operations, as well as various types of scientific and technological exchange activities and having people go abroad to study, do research, observe, carry out investigations, and work are all beneficial to promoting technological advancement, and all these activities can come under the rubric of import of technology.

3. Importing technology is mainly for the purpose of mastering advanced technology and strengthening a capacity for self-development. If there is import of technology simply to expand production capacity, it will not be possible for us to reduce the technological disparity between ourselves and the developed countries, and we will only be able to fluctuate at low technological levels. This will certainly obstruct domestic scientific and technological research and the development of national industry, and waste precious foreign exchange funds. Some developing countries have already learned many lessons in this respect and we should not make the same mistakes.

II

Doing well in the work of importing technology requires great effort in many areas. However, the crux lies in truly digesting and absorbing the new technology and innovating on that basis.

What is meant by digestion, absorption, and innovation is that through study, comparison, research, exploration, and mastering the principles of imported technology and the secrets of that technology, we improve on it, and develop it so as to raise our own capacity for scientific and technological research, design, production, and innovation. In this way, the imported technology will strike root, flower, and bear fruit and gradually the transition will be made to mainly import research technology. Seen in terms of our present situation, if we are to do well in absorption, digestion, and innovation, we must strive to grasp the following work well:

1. Strengthening independent scientific research and, more particularly, technological development research. This is the basis for absorbing and digesting foreign advanced technology. Many enterprises do not put stress on independent scientific research and development research and are only willing to import ready made equipment and parts to assemble or to copy. They believe that this saves time and effort and results are seen quickly. However, if this continues for a long time, the results will be worrying. In this respect, the experiences of Japan in developing its iron and steel industry after the war are worthy of our reference. In 1953, Austria discovered the steel technology of using a converter with top-blown oxygen. After Japan imported this technology, in 1956 several monopoly enterprises formed a specialized research organ to conduct research. Two years later, they used this imported technology to achieve an overall technological transformation. In 1962, the Japanese steel industry, which was based on

top-blown oxygen converters, entered the world's advanced ranks. At the same time, Japan also successfully developed a converter waste-gas recovery method, which is superior to the above mentioned imported technology, and took out a patent on this. This technology was then exported to many countries including the United States, Austria, Britain, and Italy.

Through 30 years of efforts, in many areas, our country's science and technology already has a capacity for independently engaging in scientific research and technological development. However, we must further strengthen work in this area, so that it can serve the digestion and absorption of advanced technology and further innovation. Thus we need to provide guarantees on the policy level and in terms of specific measures. For example, in principle we should give priority rights in technology import to enterprise units with strong research and development capacities; the key projects should guarantee the importance of those instruments, components, equipment, reagents, materials, and data needed by scientific and technological research organs and tertiary institutions in the development of their research; we should formulate appropriate policies and encourage and guide the scientific and technological personnel of importing units, relevant design and manufacturing departments, research organs and tertiary institutions to actively take on the work of digesting and absorbing imported technology as well as developing it and engaging in innovation. All levels of scientific and technological managing departments and scientific and technological research units should also take the digestion and absorption of imported technology and innovation of this technology as important parts of their work. We must overcome the tendency to look lightly on the work of digestion, absorption, and innovation. The results which have been achieved in this work should be treated in the same way as other scientific research results.

2. Selecting and importing appropriate technology. In the import of technology, we need to proceed from the situation of our country's production factors such as natural resources, energy and labor, the existing scientific research, production technology and management levels, and the actual situation of economic development and social needs. The appropriate technology to import is that which can be digested and absorbed as quickly as possible, that is, applied technology. The disparity between applied technology and our existing technology is quite small and it is quite easy to digest and absorb it. Although such technologies are not the most advanced, they are ripe intermediate technologies, their economic benefits are quite great and they are easy to apply and popularize. Of course, stressing the importation of applied technology does not mean that we should not import the newly emerging highest technologies. Rather, it means that we should proceed in a planned and focused way and strictly guard against the import of diffused technology that disregards the actual situation, is not easy to digest and absorb, and cannot be applied.

3. At the same time as importing products and equipment, we must import the appropriate technological know-how, and place stress on the import of software technology so as to raise the capacity for digestion and absorption. At present, we are not absorbing many software projects and this situation needs to be changed as quickly as possible. Seen from a long-term, development view, we should gradually place the import of software technology in a prominent position. In the fifties, Japan mainly imported full-set technological equipment, but later changed to mainly importing software technology. In the sixties the funds used in purchasing equipment constituted only 10 percent of the entire amount spent on the import of technology. The remainder was mainly used in importing software technology. This strengthened the pace of digestion, absorption, and innovation and obvious economic benefits were obtained. At the beginning of the seventies, our country successively imported 13 large-scale chemical fertilizer production plants, but did not concurrently import the necessary software technology. The result was that, although output volume increased, it was impossible to appropriately raise the design level and production level of domestic chemical fertilizer equipment. Thus, after several years, it was again necessary to import more advanced equipment from abroad. Romania imported the same sort of equipment 1 year before us, but at the same time, imported the production technology and put efforts into digestion and absorption. The result was that by the end of the seventies, it had manufactured its own quite advanced equipment. Thus, we need to put stress on the import of software technology.

4. We need to adopt appropriate, effective organizational forms to carry out the digestion, absorption, and production of advanced equipment, material, and production lines that we need to make in our country. Since the beginning of the seventies, of the various projects imported by the various industries in our country, over 70 percent was equipment to be directly used in production. This equipment was mainly imported by production enterprises, while manufacturing enterprises imported very few projects. In order to ensure that this imported equipment has a greater effect and in order to promote the technical transformation and technical advancement of the whole industry, there is a need to engage in reproduction, copying, and innovation work. However, the production enterprises that import the equipment have no pressing need to engage in reproduction, copying or innovation. They also lack the funds, technology, and skilled personnel to carry out this work. At the same time, other enterprises in the same industry will have an urgent need to use the equipment for reproduction and copying. Many scientific and technological research units and tertiary institutions are, in the reform of the scientific and technological systems, positively demanding the establishment of lateral links with enterprises, and are willing to provide the enterprises with skilled personnel to assist in the digestion and absorption of imported technology. In such a situation, the adoption of appropriate forms by which to organize

the enterprises which import equipment, the scientific and technological research organs and tertiary institutions, so that together they develop the digestion and absorption of advanced equipment is both necessary and possible.

III

Doing well in the work of importing technology also requires that stress be placed on the resolution of the following problems:

1. Strengthening macroeconomic guidance and management. The import of technology is a type of work that requires planning and policies, and involves technology, science, and economics. It is a long-term, strategic measure in our opening to the outside and in improving economic results. Only by strengthening macroeconomic guidance and management will it be possible to realize, in an overall way, the goals anticipated and guarantee the sustained and healthy forward development of the work of importing technology. In accordance with the long term plans of national economic and social development, technological development strategies and industrial development strategies, the state is now formulating an overall national program and plan for importing technology and for digesting and absorbing the technology that is imported. This is an important aspect of strengthening macroeconomic guidance and management. All regions and all departments should, in accordance with their own characteristics, separately formulate appropriate plans and measures. Guidance and management work requires the participation of experts well versed in technology as well as those specialized in the fields of economics and law. We need to strive to change the situation where people who do not have specialized knowledge blindly issue commands and domestic research and development is divorced from the import of technology.

2. Priority should be placed on importing technology which will assist in raising the quality of exports, increasing foreign exchange earnings, and replacing imports. Special priority should be placed on importing projects which will pay for themselves in a short time. To this end, we must stress the development of feasibility research, and especially economic benefit analysis of imported technology. This will include gaining an overall understanding of the technology to be imported, and verifying, analyzing, and forecasting sales market arrangements, sales plans, production methods, resources supply, profits on funds, investment repayment, technological service, and so on.

3. The import of technology requires proceeding from reality and stressing the linking of local resource superiorities and technological production capacity. In the process of importing technology and developing the economy, developed countries generally place stress on importing capital-intensive, energy-intensive, and labor-saving technology. We cannot copy this practice and we must proceed from our own natural resource and labor resource superiorities. We must stress the import of that technology and equipment which is suited to the levels of technology and equipment

in our country, which can make use of the raw and semifinished materials of our country, which has a high utilization rate for energy, and can provide quite a number of employment opportunities.

4. We should stress the importation of advanced agricultural technology. In the last few years, we have placed much stress on importing industrial technology and not paid much attention to importing advanced agricultural technology. The wide utilization of foreign agricultural technology, equipment, and scientific and technological information is absolutely essential in speeding the technical transformation of our country's agriculture and the readjustment of our rural economic structure, and promoting the modernization of agriculture. The coastal regions and those regions where the rural commodity economy is quite developed should pay particular attention to this question. At present, we should proceed from the strategic targets of our agricultural development, and place stress on selecting and importing technology that will have a quite great promotional effect in raising agricultural productivity. For example, we could import fine strains of crops and livestock, applied cultivation, rearing and breeding technologies, as well as technologies for processing, storing, transporting, and packaging agricultural and sideline products.

5. We should stress protection of intellectual property. In this area, there are two questions which we should pay attention to: 1) Some importing units use the excuse of protecting intellectual property to engage in technological blockades against other fraternal units, or to extort excessively high transfer fees; 2) there is a lack of clarity as to which patented products can be duplicated and this affects the normal development of copying and research work. The projects we import are usually projects in which investment is provided by the state, and only if international convention or the contract stipulations allow, should large-scale propagation of the advanced imported technology be organized. There should not be technological blockades. Further, we should stress that for products for which patents have been applied for or granted in our country, it is necessary to pay patent fees to the holders of the patent before the product can be copied or changed. When a patent use contract is signed, irrational restrictive clauses should be refused. There should also be stress placed on licenses that combine the purchase of patent rights with the obtaining of technological know-how.

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1030 GMT 28 Mar 89

[Analysis by station reporter Wang Zhaoji: "Guiding Peasants Correctly To Increase Inputs Into Agriculture," from the "National Hookup" program]

[Text] Spring sowing is going on nationwide from the south to the north. According to a recent survey of 2,750 Zhejiang peasant households, conducted by the Zhejiang rural economic survey team, the rush among peasants to construct houses is dying down. Meanwhile, the rate of increase for inputs into production is sharply higher than that for everyday consumption. Last year, machinery bought by peasants for agriculture, forestry, animal husbandry, and fishery more than doubled that of the previous year. The purchase of industrial machinery during the same period also increased by 60 percent.

During the first 2 months of this year, the fine momentum of increasing inputs into production has continued. But after careful examination, this reporter discovered that, last year the proportion of inputs by peasants into livestock production and transportation has been higher, while that invested in grain production, forestry, and fishery has been rather low. The per capita investment into livestock production alone was 96 yuan, exceeding the amount invested for crop cultivation. This irrational structure has greatly undermined the cultivation of grain and other crops. This year, we should seriously draw on this experience.

This reporter believes that there are three main reasons why the structure of peasants' inputs into production has been irrational. First, the peasants currently feel that the returns from grain production are low and that the price of agricultural capital goods has risen too much. Second, the desire to recoup their investment within a short period has influenced the enthusiasm of peasants and discouraged them from placing more input into agriculture and forestry which have a longer production cycle and are a higher risk. Third, the government and competent departments have failed to come up with specific programs for encouraging peasants to increase inputs into agriculture.

According to the computations of competent departments the current average amount of cash in the hands of each rural Zhejiang peasant household is roughly 800 yuan. This excludes their bank savings. As the vast numbers of peasants are very eager to put their money to good use, governments of all localities should try, by every possible means, to provide them with a good environment to invest in agriculture. For example, establish forward markets to place orders for agricultural capital goods so that peasants can pay for the goods in advance and competent departments can deliver them at the appointed time and enlist technicians to go and promote new agrotechniques and strains in the countryside. When peasants receive the benefits, they will increase input into agriculture on their own account—especially in grain production.

East Region

Anhui Holds Provincial Meeting on Civil Affairs OW0604073789 Hefei Anhui Provincial Service in Mandarin 1100 GMT 27 Mar 89

[Text] We must give full play to the role of stabilizing the mechanism of society to create a good social environment favorable to the progress of reform, the open policy, and four modernizations in our province. This is the principal task laid down by the 14th provincial working conference on civil affairs regarding the work from 1989 to 1993.

The civil affairs departments in our province have done a great deal of work in giving play to the role of stabilizing the mechanism during the 5 years since the 13th provincial working conference on civil affairs. Every locality has used state funds and money contributed by various sectors in society to help a total of over 710,000 poor households. Among them, over 450,000 households have already prospered. Nearly 3.5 million people have received relief provided by the state every year. It has protected social [words indistinct]. Welfare production units throughout the province have increased 15 times over the number 5 years ago, thereby promoting the growth of the civil affairs-related economy. With respect to the work of giving special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, state savings deposits [words indistinct] have been arranged for more than 200,000 people. Meanwhile, proper arrangements have been made for some 145,000 people. An initial system of giving special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, combining contributions by the state, society, and the masses, has taken shape. At the same time, the province has begun to establish a social security system; social administration is also being put on the course of integrating administration, legislation, and the masses' self-government.

The conference laid down the tasks for civil affairs work between 1989 and 1993. They are: Further strengthening the building of organs of state power, as well as self-government organizations at the grass-roots level, and promoting democracy at that level; carrying out reform in the work of sending relief to disaster areas, providing the dole for the needy, and developing basic-level social security at the grass-roots level in the rural areas; continually expanding the scope of job placement, introducing the mechanism of competition into the institutions and enterprises whose jobs are to give special care to disabled servicemen and to family members of revolutionary martyrs, and implementing the open policy in a bid to increase both economic returns and social benefits; making continued efforts to consolidate and develop social welfare production facilities, and gradually carrying out socialization of public welfare; and improving the functions of social administration by dealing with matters strictly in accordance with the law.

The conference was held in Hefei from 23 to 26 March. Among the provincial party, government, and military leaders attending were Fu Xishou, Yang Yongliang, Shao Ming, Cheng Guanghua, (Song Rui), and (Fu Zhihe). Relevant responsible persons of the Ministry of Civil Affairs also attended the conference. Vice Governor Shao Ming spoke. (Hou Yukun), director of the provincial civil affairs bureau, delivered a work report. A total of over 250 people, including administrative commissioners of prefectures and cities throughout the province, city mayors, directors of civil affairs bureaus, and responsible persons of institutions at the provincial level, took part in the conference.

Anhui Circular Stresses Agricultural Service OW0604134089 Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Mar 89

[From the "Provincial Hookup" program]

[Text] The provincial party committee and government recently issued a circular approving a report by the provincial Policy Research Office and the Agriculture and Economic Commissions on strengthening agricultural service. The circular asked all localities and departments to take effective measures to vigorously strengthen agricultural service and establish and perfect an agricultural service network in society to promote the deepening of rural reform and accelerate the development of the rural commodity economy.

The report of the Policy Research Office and the Agriculture and Economic Commissions says: Along with the implementation of the system of contracted responsibilities based on the household with remuneration linked to output, rural households have replaced communes and brigades as the main users of agriculture service. As a result, the original agricultural service network was dismantled and replaced by new service organizations. New agricultural service organizations founded by the rural households themselves, in particular, are developing rapidly, providing service in all phases of agricultural production. However, because of the rapid growth of the rural commodity economy, agricultural service in the province appears to be lagging behind.

In light of the problems encountered, the report stresses the following five points:

1. It is necessary to fully realize the important role played by agricultural service in rural reform and economic development. It is necessary to regard the establishment of an effective agricultural service network as an important task vital to deepening rural reform, perfecting the system of contracted responsibilities, and accelerating rural commodity economy, and seriously carry out the task.
2. It is necessary to gradually set up, in accordance with the level of our productive forces and the characteristics of service users, a service network at different levels, in different forms, and of different types of ownership.
3. It is necessary to strictly follow the established policy and actively promote paid service.

4. It is necessary to improve other selected services, including science and technology, supply and marketing, and funding, while carrying out agricultural service.

5. It is necessary to seriously strengthen leadership, make genuine efforts to improve agricultural service, and place this task on the agenda of the party committee and government at each level and on the agenda of their subordinate departments.

Anhui Leaders on Resolving Power Shortage
*OW0604000289 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 1 Apr 89*

[Text] The gap between the supply and demand of electricity in Anhui is becoming increasingly serious. Due to the shortage in coal supply, the generation of electricity has been greatly restricted. Last year, the actual supply of electricity in Anhui was 14.8 billion kilowatt-hours. The supply of electricity planned for this year is 15.2 billion kilowatt-hours. The rate of increase in power supply has lagged greatly behind that of growth in industrial production.

However, the volume of increase in power supply requested by localities from the provincial government is alarming. Most of the localities have requested an increase of more than 20 percent.

In this connection, during a discussion with leaders from the cities and prefectures of Anqing, Chizhou, Tongling, Wuhu and Maanshan, which are located along the Chang Jiang. Shao Ming, vice governor and member of the Standing Committee of the provincial party committee, and Vice Governor Wu Changqi said: It is impossible to continue to ask for more power supply. We must work on improving the management of power usage.

Shao Ming and Wu Changqi pointed out: Anhui must take the path of electricity conservation. The load factor for electricity in Anhui is quite low, which indicates great potential in the area of power conservation. Currently, the load factor during actual power usage is roughly 88 percent, whereas Shanghai has a 97 percent factor. The provincial government has set the target at 95 percent. If we can raise the load factor in power usage by 1 percent, we can save 200 million kilowatt-hours. If we attain the target set by the provincial government, we will have an additional 1.4 billion kilowatt-hours of electricity.

Shao Ming and Wu Changqi also put forward concrete measures on improving the management of power usage.

Fujian NPC Deputies Discuss Legal System
*OW0604100689 Beijing Domestic Service
in Mandarin 1030 GMT 1 Apr 89*

['Sidelights' by station reporter Chen Changhuo: "Strengthening the Legal System"—from the "National Hookup" program]

[Excerpts] The Fujian NPC [National People's Congress] deputies held a joint group meeting yesterday morning. It was chaired by Cheng Xu, chairman of the Standing

Committee of the Fujian Provincial People's Congress. After the meeting was declared open, deputies took their turns to air their views. Every now and then someone would interrupt, but the atmosphere was enthusiastic. A common appeal of the deputies has been strengthening legislation and enforcing laws strictly in order to perfect the socialist legal system further. [passage omitted]

Deputy Wang Ruisheng said: Currently, it is easy to begin the process of legislation but difficult to complete it. This should not be the case. The degree of difficulty clearly indicates its urgency. Legislation must always stay ahead. For example, had the Capital Construction Law been enacted 2 years ago, we would not have had the problem of excessive capital construction during the last 2 years. Therefore, we must speed up legislation to ensure that legal rights of the general public are not violated, and to facilitate the establishment of a new order for the socialist commodity economy. While strengthening legislation, we must also enforce law strictly. This was the common view of deputies who spoke.

Deputy Cheng Xu said that the NPC Standing Committee must not only pay attention to legislation but also exercise its supervisory role satisfactorily. Some deputies criticized the NPC Standing Committee for failing to supervise the government properly.

At the meeting, deputies Lan Lanying and Wu Yuanjin mentioned specific examples to show that failure to enforce law strictly and violation of law by enforcers are salient problems in the legal system. In this connection, deputy Wu Songgang said that judicial departments must strive to improve themselves, step up training, and improve the political and professional qualities of judicial personnel; otherwise, it would affect the impartiality of justice and smear the reputation of judicial organs.

The deputies argued that enforcers who break the laws should be severely punished, or else the people would lose faith in law.

The 2 hours passed quickly. The enthusiasm of deputies to speak up indicated their concern for the legal system. They longed to see the appearance of a better legal system and a more peaceful social environment.

Commentary on Jiangsu Rural Education Reform
*OW0604081189 Nanjing Jiangsu Provincial Service
in Mandarin 1015 GMT 29 Mar 89*

[Station commentary: "A Good Try in Rural Education Reform"]

[Text] The problem of dropouts from primary and middle schools in the rural areas has become increasingly serious in recent years. However, parents in (Daitou) township, Liyang County, sent their children to the local school of their own accord. Was it because the school was a key school or because the school had good teaching environment? The answer is neither. The (Daitou)

Aquatic Products Primary School was an ordinary rural primary school. Its appeal lies in the fact that the school teaches students production skills needed in the local area, as well as book knowledge, and this has enabled the students to choose between working and contributing to the local economic development or continuing their education at a higher level after graduation.

Everyone knows that the primary task of education in our country is to popularize education below the secondary level. Because 80 percent of the students receiving education at this level are in the rural areas, the main emphasis of the task of popularizing education should be placed in the countryside. In the past we failed to attach due importance to the study of the relationship between education and the economy when developing a strategy for education. As a result, rural education has tended to divorce itself from the reality of rural areas. It is true that the short-sighted action of the parents and society has contributed to the large numbers of student dropouts from primary and middle schools. We must correct this situation by legal means and through ideological education. However, the failure of primary education to provide the students with practical skills is also an important reason for the dropout problem.

No doubt, primary education is the most basic education and its main concern is to enable the students to become literate and acquire basic knowledge. However, we must not ignore the fact that [words indistinct] the majority of rural area people receiving primary education will continue to work in their native villages. A school will certainly be able to attract more students if it can offer the one or two, or even more, production skills. The experience of the (Daitou) Aquatic Products School is convincing proof of this point.

Jiangxi Readjusts Power Supply Structure
OW0604045489 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 26 Mar 89

[From the "Provincial Hookup" program]

[Text] Jiangxi Province has achieved initial results in readjusting the power supply structure according to the principle of giving priority to well-managed enterprises in supplying electric power. Light industry's electric power consumption has increased, while heavy industry's proportion of the province's total industrial power consumption has decreased.

Departments in charge of electric power supply in the province have strengthened control over power supply and distribution to ensure that the province's limited electric power supply is used in the most efficient way. They have limited power supply to enterprises producing high power-consumption products, slow-selling goods, and overstocked products. They have given priority in supplying power to light industrial enterprises with high production efficiency.

The province's light industry power consumption increased from 20 percent of the province's total industrial power consumption in 1987 to 21 percent currently. As of this date, the amount of electric power consumed by light industry this year increased by 12.6 percent over the same period last year. At the same time, electric power consumed by heavy industry decreased from 7.9 percent of the province's total industrial power consumption in 1987 to 7 percent currently. The amount of electric power consumed by heavy industry increased by 7 percent.

Departments in charge of electric power supply have ensured power supply to key state enterprises. These enterprises strive to increase production while reducing power consumption and have strengthened control over use of electric power by subordinate units. They have set power use standards for each workshop, work group, and machine, and have implemented [words indistinct] to directly link workers' economic interests to their efficiency in using electric power. This reduces the electric power needed to produce a unit of product. As a result, electric power needed to produce 10,000 yuan worth of products in the province decreased by 8 percent over the previous year.

At the same time, electric power supply for agricultural production in the province has been improved. The Northeastern Jiangxi Electric Power Supply Bureau has supplied power to townships and towns at fixed times, in fixed quantity, and at fixed prices, enabling rural enterprises' electric power consumption to increase steadily. Electric power used for agricultural production in the province increased by 30.8 percent over the previous year.

Situation of Coal, Power Shortage Viewed
OW0604130489 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 29 Mar 89

[Text] Since the beginning of this year, Jiangxi Province has suffered from a shortage of coal and electric power. This situation has created great difficulties in people's livelihood and in agricultural and industrial production. Station reporter (Chin Rui) learned from a provincial meeting on conserving the use of energy, which ended today, that the energy shortage situation cannot be fundamentally improved in the near future.

This province must obtain a large quantity of coal from other localities each year. It totally depends on other provinces for the supply of processed oil. For a long time, stress has not been laid on developing energy sources in this province and the development of energy has lagged far behind the pace of national economic construction. The contradiction in the supply and demand of energy has become more and more conspicuous. It is estimated that this province will be short 2 billion kilowatt-hours of electricity and 2 million metric tons of coal this year.

Since January this year, various departments and cities and counties concerned have been striving to produce more coal and generate more electricity. In addition, they have tried to procure coal from other localities. However, due to difficulties in transportation and confusion in operation, the situation of a shortage of coal still cannot be improved.

At present, of the seven 125,000-kw generators in this province, only four generators are in working condition.

Owing to the shortage of energy, many enterprises have been forced to stop operations or are operating below capacity. The output of some important products has decreased to a serious extent.

Moreover, the unit energy consumption in the production of many products is higher than the national average of unit energy consumption. The energy consumption per 10,000 yuan of industrial products in 1988 was 230 percent higher than that in Shanghai. By reducing the unit energy consumption in industrial production to the national average, this province can save more than 600,000 metric tons of coal each year. The equipment and facilities for power consumption in this province are also old and outmoded. In addition, this province is lagging behind some other provinces and municipalities in technological level. More than 300 million kilowatt-hours of electricity are wasted each year in power transformation and transmission alone. There is great potential for conserving energy and reducing energy consumption. However, due to people's lack of sense of crisis in the use of energy and poor management, we have not attached great importance to the work of conserving energy and reducing energy consumption. The situation of wasting energy exists in many places.

In order to solve the contradiction between supply and demand of energy, we must not only grasp the development of new energy sources, but also grasp the work of stopping waste. Even if energy departments do their best in promoting production and obtain all coal from other localities according to contracts, the supply still will not satisfy the demand. There is only one way out, and that is that we must call on people throughout society to heighten their awareness of the urgent need to conserve energy and to increase their sense of responsibility. While grasping the development of energy sources, we must do our best to reduce energy consumption and stop waste. The provincial people's government has called on people in the whole province to foster the social custom of considering it an honorable thing to conserve energy and a shameful thing to waste energy. It has called on various localities to effectively grasp the work of conserving energy and reducing energy consumption in order to alleviate the situation of a shortage in the supply of energy in this province.

Jiangxi Construction Banks Tighten Credit

OW0604055089 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 26 Mar 89

[Text] It is necessary to effectively control the scale of investment and credit while promoting sustained and

stable economic growth in our province at the same time. This is the arduous task facing all Jiangxi construction banks this year. The presidents of all prefectural, city and county branches of the Jiangxi Provincial Construction Bank recently held a conference in Nanchang, especially for the purpose of studying the measures to accomplish this task.

The construction banks in all localities of the province will strictly control the various loans granted this year by adopting the method of making annual quantitative comparisons, taking quarterly control steps, and conducting monthly assessments. The size of credit is controlled both on the basis of the amount granted for the year and the surplus amount available.

While strictly controlling the scale of investment in fixed assets, the provincial construction bank is taking effective measures to inspire the initiative of the various branches to attract deposits. It calls on its various prefectural, city and county branches to do the following four things in support of the goal of increasing deposits and enhancing their strength in capital. They are: Combining the extension of loans with fund raising, combining loans for investments in fixed assets with the circulating capital for production, combining the lender-borrower relations between the bank and the enterprise with the relations of cooperation between the two, and combining the domestic financial operations with international financial operations.

Jiangxi Secretary Attends Bird Protection Forum

OW0504235889 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 1 Apr 89

[Excerpt] [Passage omitted] Today, Mao Zhiyong, secretary of the provincial party committee; Wang Zhaorong, member of the Standing Committee of the provincial party committee; Wu Yongle and Jin Liqiang, vice chairmen of the provincial CPPCC [Chinese People's Political Consultative Conference] Committee; and Mr Li Guangyi, vice president of the (All-American Fellow Provincials Association) of the United States, attended a forum and visited a photographic exhibition to mark bird protection week. [passage omitted]

Jiang Zemin Addresses Shanghai Technical Meeting

OW0604080989 Shanghai City Service in Mandarin
1000 GMT 31 Mar 89

[Text] Workers in Shanghai will soon begin a professional and technical skills contest. Winners of the contest will receive rewards, including promotions and pay raises, and win the title of technical expert.

Jiang Zemin, secretary of the Shanghai Municipal CPC Committee, attended and addressed a mobilization meeting this afternoon. He said: The current technical standards of Shanghai's workers fall short of the economic construction requirements. High- and middle-grade skilled workers in our enterprises account for

about 42 percent of the total number of skilled workers, which is far below the 55 percent goal set by the municipal government for the Seventh 5-Year Plan. Some 200,000 skilled workers need further training and appraisal. The task of training high-grade skilled workers and technicians is quite arduous. The average grade of all our skilled workers is lower than 3.8, which is below the 4.5 grade in the period prior to the Cultural Revolution. This state of affairs seriously affects the improvement of our labor productivity and the quality of our products.

To develop an export-oriented economy, we must produce low-cost, high-quality goods to sell in the international market and compete with foreign products. This requires not only large numbers of engineering, technological, and managerial personnel, but also large numbers of workers with superior technical skills. We must raise our understanding of the importance of technical training from a strategic point of view. After several years of hard work, we hope to raise the standards of Shanghai's workers to a considerable extent.

The contest is sponsored by nine municipal units, including the trade union council, the labor bureau, and the Communist Youth League Committee. It will be held at the grass-roots, bureau, and municipal levels.

Shanghai's Zhu Rongji on Export Agency System
OW0604092589 Shanghai City Service in Mandarin
2300 GMT 29 Mar 89

[By station reporter Zheng Hua]

[Text] Mayor of Shanghai Zhu Rongji pointed out yesterday: The integration of industry and commerce, the joint contracting of industrial and commercial enterprises, and the extensive promotion of the export agency system have an important bearing on economic development in Shanghai.

Zhu Rongji said this when he made a special trip to Shanghai from Beijing, during the current NPC [National People's Congress] session, to attend the mobilization rally for joint contracting of industrial and commercial enterprises dealing in the export of textile products.

Zhu Rongji pointed out: To extricate itself from its difficulties, Shanghai must rely on, first, streamlining its industrial structure. Second, it must rely on integrating the industrial and commercial sectors, the joint contracting of industrial and commercial enterprises [shuang xian cheng bao], and the promotion of the export agency system.

Zhu Rongji said: The time for Shanghai to unfold the joint contracting of industrial and commercial enterprises is ripe. Mayor Zhu Rongji urged industrial and

commercial sectors to reach a common understanding, share their fate together, understand and accommodate each other, and produce more goods for sale on the international market.

Mayor Zhu Rongji stressed: In order to make the export agency system a success, the government should formulate policies that offer incentives and strengthen organizational leadership. Industrial bureaus at every level must earnestly promote the joint contracting of industrial and commercial enterprises, and tackle well experimental work in this area. All integrated departments must support the efforts to unfold joint contracting, and work together for the vitalization of Shanghai.

According to sources, in the 7 days since 22 March, 288 factories from Shanghai's textile sector have signed agency agreements with specialized foreign trade companies. The export value of these contracts is worth \$896.1 million, and makes up 84.5 percent of the total export contract value of the textile bureau. In addition to the textile industry, industrial and commercial sectors of Shanghai's pharmaceutical and chemical industries have also held several discussions. Pilot projects to implement the agency system is currently being pursued in earnest.

Vice Mayor Huang Ju presided over yesterday's rally. Vice Mayor Gu Chuanxun also spoke at the rally.

Zhu Meets Shanghai People's Congress Members
OW0604075989 Shanghai City Service in Mandarin
2300 GMT 30 Mar 89

[Text] Yesterday morning, Mayor Zhu Rongji came to the municipal People's Congress office to listen to the views of some Standing Committee members of the municipal People's Congress regarding the discussion of the draft of the "Government Work Report" soon to be submitted to the second plenary session of the ninth municipal People's Congress for examination.

During nearly 3 hours of discussion, 17 deputies took turns speaking. The deputies also put forth many views and suggestions on issues concerning agriculture, commodity price, education and communications in Shanghai. Some deputies pointed out that the "Government Work Report" should spell out to what extent decisions and resolutions adopted at the first plenary session and Standing Committee meetings of the ninth municipal People's Congress have been implemented. The deputies urged that the "Government Work Report" should frankly state the existing governmental work problems and indicate, in specific and clear terms, the 1989 work targets and demands. They also urged that personnel from the municipal government attend the plenary session, when it is in progress, in order to listen to views, reply to questions, and accept supervision.

Zhu Rongji earnestly listened and took note of their views. He praised them for being specialists in the various fields and spoke highly of their sincerity and their suggestions. He indicated that he will revise and improve the "Government Work Report."

Shanghai Produces Underwater Optical Cable

OW0404050889 Beijing XINHUA Domestic Service in Chinese 1208 GMT 29 Mar 89

[From the "Local Broadcast News Service"]

[Text] Beijing, 29 Mar (XINHUA)—China's first long-distance underwater fiber-optic communications cable produced in Shanghai has passed inspection by the Ministry of Posts and Telecommunications. The optical cable, produced by the Shanghai Cable Plant, can simultaneously convey 9,600 telephone and 20 color-TV signals. This kind of cable, which is highly capable of resisting signal interference and therefore has the advantage of keeping communications secret, can be used for 15 years, as a general rule. At present, few countries in the world are able to manufacture this kind of optical cable. It was learned that the cable will be installed under the Changjiang between Hefei and Wuhu.

Zhejiang's Li Zemin Inspects Joint Venture

OW0604075189 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 27 Mar 89

[By station reporter Qiu Mingliang]

[Text] During the inspection of Ningbo Zhanghua Woolen Mill and Yinxian County's Qier village today, Li Zemin, secretary of the provincial party committee, said: While pursuing joint operations with outsiders, we must allow them to make some money on the premise of mutual benefit.

This afternoon, Secretary Li Zemin came to Ningbo Zhanghua Woolen Mill, accompanied by Comrade Sun Jiaxian, secretary of the Ningbo City party committee. This mill is a rural enterprise, jointly operated by three units from Shanghai and Ningbo. Last year, it earned some 1.6 million U.S. dollars in foreign exchange.

Comrade Li Zemin inspected the production process in the workshop, held discussion with workers, listened to reports by the local responsible person and mill leader, and took notes.

When the mill leader touched on problems encountered during the distribution of the joint operation's profit, Comrade Li Zemin said: After the development of rural industries, we must study how to deepen reforms and improve management. When we pursue joint operations with outsiders, we must allow them to make money on the premise of mutual benefit. We should not be afraid that outsiders are making money and, instead, take the overall situation into account. We should do the same when we negotiate with foreign businessmen.

Zhejiang Official on Economic Coordination

OW0604203089 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 26 Mar 89

[Text] (Cao Dali), director of the provincial office for economic and technical coordination, said: Do not simply view the work of economic and technical coordination as that of conducting material transactions. The role of economic and technical coordination offices at all levels lies in helping the government strengthen macro-regulation.

Interviewed recently by station reporter (Zhang Jianping), (Cao Dali) said: Material coordination is the important responsibility of economic and technical coordination offices at all levels of government. But that is only one aspect of the coordination. The office for economic and technical coordination, as one of the departments of government, should use economic levers to pool local funds, take part in the exploitation of resources in China's interior, build energy and raw material bases, and play the role of a macro-regulator in disposing of important resources.

In addition, offices for economic and technical coordination should, through economic and technological cooperation, further promote the creation of such key markets as production material, technological commodity, financial, and personnel markets. To create such markets, the provincial economic and technological coordination office and coordination offices in city, prefectural, and county governments have formulated a series of policies on lateral economic cooperation and economic and technological coordination. They conduct planning, carry out coordination, and offer services to develop the commodity economy.

The office for economic and technological coordination of Jiande County, after obtaining petroleum through coordination, issued formal documents, and distributed the petroleum to various districts and key industrial enterprises. It also directly supplied some 30,000 metric tons of coal to production enterprises at prices lower than the market price. It also helped localities increase effective supply, hold down prices, and increase the government's regulatory power.

Zhejiang Plans Enterprise Technological Rating

OW0604051989 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 29 Mar 89

[Text] The provincial government recently decided to establish an enterprise technological progress rating system throughout the province to promote technological innovation and raise economic results. The main areas to be rated are technological development, quality of products, and technological innovations. However, when necessary, other areas may be added.

Areas for rating shall be set by the department in charge and, after consulting with the enterprises, shall be included in the enterprises' management contracts and in the targets of directors during their tenure of office. The ratings are excellent, good, qualified, and unqualified. The department in charge of enterprises shall conduct annual ratings of enterprises and give an overall rating based on the targets.

Management contractors and their co-workers of enterprises rated excellent or good shall be rewarded with a bonus equal to 30 or 15 percent of the average total annual wages of the enterprises' staffers and workers. Enterprises rated as unqualified shall not be upgraded and their management contractors and co-workers shall be fined a sum equal to 15 percent of the total average annual wages of the enterprises' staffers and workers. Directors who have failed to fulfill the targets at the end of their tenure of office shall not be allowed to renew their contracts.

Central-South Region

Article Views Guangdong's Housing Reform
HK0704031589 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1457 GMT 6 Apr 89

["Difficult Start for Housing Reform in Guangdong"—
XHONGGUO TONGXUN SHE headline]

[Text] Guangzhou, 1 Apr (ZHONGGUO TONGXUN SHE)—Housing reform in Guangdong has finally started amidst difficulties. After several months since the implementation of the reform in places like Shenzhen, Jiangmen and Doumen, there appear both good and bad results.

The housing reform in Guangdong encourages people to purchase public housing. At the beginning of the reform, the panic purchasing of expensive goods was abruptly weakened. After Shenzhen initially sold some public apartments, there have been changes in the structure of the deposit balance of the Bank of Industry and Commerce. Personal deposits have decreased by 60 million yuan. However, the deposit balances of banks throughout the city have not decreased, because a relatively large part of personal deposits has been transferred to units.

In addition, people think that it is most worthwhile to buy apartments themselves. Money will depreciate as prices rise, while buying apartments can preserve the value of currency and may earn money through appreciation. According to statistics, 10,170 public apartments were sold in Shenzhen City from mid-November last year, when the sale of public housing began, to the end of January this year. On average, 150 apartments were sold every day. In Jiangmen City, 8,600 public apartments were sold from August last year to February this year, which amounted to 60 percent of the public housing available for sale. Doumen County has sold 97

percent of the total amount of public apartments available for sale. In Foshan City, the selling of public housing has not been started, but more than 3,000 households have applied for the purchase of public housing.

However, 90 percent of the average employees have to borrow money from others to buy apartments, because their wages or salaries have never included housing expenditures. Though their wages and salaries have been increased in the form of subsidies, the increase only started with the housing reform. People in Guangdong have many overseas connections. Many people borrow money from friends and relatives to buy apartments. Sometimes parents may "collect" money from their children or children may ask for subsidies from parents. But who will be the lender if everybody wants to buy apartments?

During the housing reform, what people hate most is that individual officials may take this opportunity to seek personal benefits by means of their authority. Though there are regulations in Guangdong stipulating that public funds cannot be used to decorate public housing which has been sold or is ready to be sold at fixed prices, and that public housing cannot be sold at cheap prices, some people still act brazenly and disregard laws and regulations.

Though there are many difficulties in carrying out the housing reform in Guangdong, relevant officials think that the past irrational housing system must be changed. We cannot wait until everything becomes fair. We have to tolerate the bad effects and break through the existing housing system in order to gradually transform to the commercialization and privatization of housing.

At present, Guangzhou City has also promulgated proposed measures for selling public housing. More than 10 units have initially carried out the housing reform on a trial basis.

Hainan Secretary Responds to 'Colony' Accusations
HK0604154389 Hong Kong WEN WEI PO
in Chinese 1 Apr 89 p 1

[Dispatch from WEN WEI PO reporters group: "Xu Shijie Discusses Opening Up Yangpu; Clarifies Accusations of 'Colony'"]

[Text] In an interview with WEN WEI PO reporters, Xu Shijie, member of the Standing Committee of the National People's Congress [NPC] and secretary of the Hainan Provincial CPC Committee, said that the 30-square-km Yangpu Development Zone leased to a foreign firm for 70 years cannot be regarded as offering our sovereignty for sale and letting foreigners establish a colony, because ownership of land is still in the hands of China. Moreover, the Chinese side has a series of laws and regulations for exercising control. Earlier, some NPC delegates had criticized the Yangpu Development Zone as a "colony."

We cannot judge the essence of a problem by old standards, Xu Shijie said. It is the preferential policy offered by the central authorities for Hainan to draw foreign capital to accelerate its economic construction. Moreover, it is one of the new, modern means of making use of foreign capital to develop our economy to lease the 30-square-km Yangpu Development Zone to foreign investors for management. Yangpu's border defense, ports, customs, and public security are still under the jurisdiction of the Hainan authorities. All investors must abide by China's laws and regulations. Moreover, they are not allowed to engage in trades that cause pollution. How can this be regarded as a "colony" or a "concession"?

A reporter asked whether Governor Liang Xiang's absence from the news conference on "coastal development strategy," which he previously had planned to attend, was a way of evading questions. As the question concerning Hainan has been discussed on many occasions, Xu replied, it would be unnecessary to publicize the matter over and over again. This is not an act taken deliberately to evade reporters' questions on the sovereignty over the Yangpu Development Zone.

When a reporter asked why the Hainan NPC delegates held closed-door meetings over the past few days and refused all visitors, Xu Shijie replied that this was not true. Over the past few days, a number of foreign reporters came to cover news, but he did not mention the sovereignty of the Yangpu Development Zone because he insisted on giving others more opportunity to express their different views.

When asked whether the Hainan NPC group discussed the question of the Yangpu Development Zone over the past few days, Xu replied: Yes, the question was discussed and a bulletin was distributed to all delegates. He repeatedly stressed that he held identical views with Comrade Liang Xiang and other Hainan NPC delegates on the planning for the Yangpu Development Zone.

To date, Xu Shijie emphasized, our contact with Kumagai is just tantamount to a letter of intent. The plan will not be effective until it is examined and approved by the State Council.

Southwest Region

Sichuan's Yang Rudai Stresses Normal Education
HK0504113189 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 4 Apr 89

[Text] On 3 April Yang Rudai, provincial party committee secretary visited the Sichuan Normal College, formerly called the Nantong Teachers' College, to hold a forum with some professors and leaders of the college. On the occasion, he presented his views on normal education to be promoted at present and in years to come.

After listening attentively to a briefing given by members of the college party committee, Yang Rudai fully affirmed the effort that the college had consistently made in adhering to the principle of running a school in a realistic and industrial manner and in following the method of attaching importance to ideological and political work while paying attention to the quality of teaching. Comrade Yang Rudai pointed out: The party and government have now approached education from a higher plane just because the key to promoting economic development lies in improving the quality of the nation. To improve the quality of the nation, adequate attention must be first given to education. Normal schools are cradles for training teachers. In this sense, the position of normal schools is more important than others. Therefore, all of us must have a deeper understanding of the strategic position of normal education. Comrade Yang Rudai emphasized: Education must be regarded as the foundation and normal education must begin before the others.

Hong Kong Resident Arrested in Tibetan Capital
HK0704003989 Hong Kong SOUTH CHINA
MORNING POST in English 7 Apr 89 p 1

[Text] A Hong Kong resident was reportedly arrested at Lhasa Airport on Wednesday [6 April] while trying to leave Tibet.

A Lhasa resident said Mr Albert Hui, a manager of the Holiday Inn Lhasa Hotel, was detained by local security officers and reportedly charged with smuggling.

The resident said he did not know what Mr Hui was accused of carrying.

Both the Lhasa Municipal Government and Holiday Inn Lhasa Hotel could not be reached for comment yesterday.

The Hong Kong office of Holiday Inn (China) could not confirm Mr Hui's arrest.

Its vice-president, Mr Ernst Zimmerman, who looks after the hotel chain in China, is out of town and cannot be reached.

Holiday Inn Lhasa Hotel is the most luxurious Western-style hotel in the city.

Mr Hui, who is in his mid-30s, has been working in various posts for Holiday Inn for many years.

He has been stationed in Lhasa for nearly four years, spending most his time there, and was recently promoted to front office manager.

Mr Hui, who is single, is due to be transferred to the chain's hotel in Xian later this year.

He was described by colleagues as quiet and meticulous.

However, they said he kept to himself, hardly ever talked to local Tibetans, and seldom ventured out of the hotel.

Lhasa has been virtually cut off from foreign contact since martial law was imposed on March 8, following three days of anti-central Government demonstrations.

However, the official PEOPLE'S DAILY reported yesterday that a group of West German development experts had visited Lhasa.

The five experts are financed by the West German Government and will work on a leather factory project initiated on a visit to Tibet by Chancellor Helmut Kohl in 1987.

Doje Cering Addresses Tibet Party Meeting
*HK0604154589 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 6 Apr 89*

[Excerpts] The regional party-building conference opened in Lhasa on 6 April. Deputy Secretaries of the Regional Party Committee Doje Cering, Basang, Danzim, and Gyaincain Norbu and Standing Committee members (He Zongjie), (Jiang Rongquan), and (Ma Lisheng), and responsible persons of the regional Discipline Inspection Committee, Organizational Department, and Propaganda Department of the regional party committee attended. [passage omitted]

On behalf of the regional party committee, Deputy Secretary Doje Cering delivered an important speech at the conference. He said that the guiding ideology of the current conference is: According to the principle of paying attention to two aspects laid down by the regional party committee, discuss party-building in the future, study the question of conducting education among party members, improve the qualities of the ranks of party members, increase the party's fighting capacity, and ensure the implementation of the party's general principles and policies and the central government's instructions on work in Tibet.

In his speech, Doje Cering talked about the significance of strengthening party-building in the future. The party is faced with a glorious, arduous task in Tibet, that is, pay attention to reform, opening up, and economic construction, on the one hand; and fight against separatist tendencies and maintain the stable situation, on the other. Tibet's party-building should be carried out amid this dual task. We should ensure fulfillment of this task and serve the objective of building a united, civilized Tibet.

On strengthening education among party members and improving their qualities, Doje Cering said, such education lags behind the new situation and requirements. In connection with Tibet's actual situation, we should pay attention to the following points:

First, we should conduct patriotic education in safeguarding national unification, strengthening national unity, and opposing separatist tendencies among all party members. [passage omitted]

Second, we should conduct education in the party's basic line in the initial stage of socialism among party members. [passage omitted]

Third, we should educate all party members to combine lofty communist ideals with realistic targets. [passage omitted]

Fourth, we should increase the party members' general knowledge of party affairs. [passage omitted]

While talking about strengthening the building of basic level party organizations, Doje Cering pointed out: At present we should stress improving the qualities of leading members of the basic level party organizations, gradually carry out the activities of democratically assessing party members, continuously improve the qualities of party members, and increase the solidarity and combat effectiveness of party organizations.

Regarding the question of keeping party organizations and members clean, Doje Cering said that the majority of party members and cadres have abided by the laws and kept themselves free from corruption. However, there are a handful of members engaged in corrupt practices which have damaged the party's image among the masses. To keep the party organizations and members clean, the regional party committee has decided to openly handle affairs of the organs directly under the regional authorities and the prefectural levels and to strengthen public supervision. This practice will be spread gradually after the experience is summarized.

Science, Technology Introduced to Tibet
*OW0504132289 Beijing XINHUA in English
1054 GMT 5 Apr 89*

[Text] Lhasa, April 5 (XINHUA)—An initial network of modern science and technology has been established in Tibet, where there was previously only practical experience in medicine, architecture and local arts and crafts before 1959.

Twenty research institutes and 43 associations dealing with natural and social sciences have been set up throughout the Tibet Autonomous Region. They cover agriculture, animal husbandry, forestry, geology, energy, communications, medicine, astronomy, biology, architecture, water conservation and economics. A total of 12,000 scientists and technicians—including 6,000 Tibetans—are employed.

The institutes and associations concentrate on using applied sciences and technologies to solve economic and social problems. They have won 21 national prizes and 60 regional prizes for outstanding scientific research results.

Scientists in Tibet have also carried out 20 technical co-operation projects with a dozen foreign countries.

The projects involved geothermal, solar and wind energy resources, as well as salt lakes, the investigation of glaciers and mud-rock slides, meteorology, astronomy, geography and animal husbandry.

Co-operating countries included Nepal, Japan, Sweden, Federal Germany, Denmark, Iceland, the United States, Canada, Australia and the Netherlands.

With the help of science and technology, Tibet's agricultural production rose from 175,000 tons in 1958 to 5.2 million tons in 1988, while the number of domestic animals rose from 11 million to 23 million.

Yunnan Governor Discusses Border Trade
HK0504102989 Beijing ZHONGGUO XINWEN SHE in Chinese 0913 GMT 2 Apr 89

[Report by Wang Xiaohui (3769 2556 2547): "Governor of Yunnan Discusses Border Trade"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 2 Apr (ZHONGGUO XINWEN SHE)—China's Yunnan Province has a border of over 4,000 km bounded by Burma, Vietnam and Laos, and border trade at present involves a total of 800 million yuan a year.

He Zhiqiang, governor of Yunnan, told reporters today that presently the main target for Yunnan's border trade is Burma. The recent talks between the vice foreign ministers of Burma and China have established formal border trade relations. When the present tension resulting from military confrontation alongside the Sino-Vietnamese border is eased, Sino-Vietnamese border trade will be developed.

Yunnan can no longer content itself with small markets for the people living on both sides of the border, or miscellaneous dealings involving small amounts of cash. At present, over 300 various kinds of goods ranging from daily use industrial products to capital construction materials have become commodities sought after in the border trade. However, He Zhiqiang appealed for a new view on border trade. It should be viewed as an important component in China's foreign trade. He said, if the border trade develops smoothly, it will not only bring vigor to the poor regions lived in by the minority nationalities, but will strengthen Yunnan's economy and China's economic cooperation with the Southeast Asian countries.

He regretted that the superior geographic environment of Yunnan has not been fully utilized. The Lancang Jiang, which flows into China, Burma, Laos, Thailand, Cambodia and Vietnam, should be a major economic artery, but is not utilized due to some political reasons. In addition, a railway on the Sino-Vietnamese border built some 40 years ago has now been abandoned. Kunming is only several hundred km away from Hanoi, but now goods must be transported through Guizhou and Guangdong, a distance of over 1,000 km, before they can be shipped overseas.

The NPC [National People's Congress] deputies from Yunnan recently proposed in Beijing that Yunnan should be built into China's opening landport, so as to serve as a major gateway between China and the South-east Asian regions.

He Zhiqiang said that Yunnan is willing to serve as the experimental region for border trade on land. But at present the shortage of talents in border trade in Yunnan has become more serious, it is impossible to find someone who knows not only international trade but also the indigenous languages. It is urgent to educate some indigenous minority nationalities to be assets in foreign trade. In addition, there are management problems. The mobile population in Yunnan's major border trade region—Dehong Autonomous Prefecture—has become 10 times more than the population of that prefecture. People are pouring in for border trade, putting great pressure on customs, quarantine and taxation services. In particular, the influx of drugs is a problem causing headache.

He Zhiqiang said the central government should make preferential policy for the major trade ports. According to what he said, a report has been submitted to the central government requesting the State Council's Special Economic Zones Office, the Ministry of Foreign Economic Relations and Trade, the Ministry of Foreign Affairs and nearly 10 other departments to jointly investigate Yunnan's border trade. In addition, in the border trade conference to be held this May, some other measures will be proposed.

Northeast Region

Excerpts of Heilongjiang CPPCC Work Report
SK0604070089 Harbin HEILONGJIANG RIBAO in Chinese 12 Mar 89 p 3

[Report on the work of the Sixth Heilongjiang Provincial Chinese People's Political Consultative Conference (CPPCC) Committee Standing Committee made by Zhang Li, vice chairman of the provincial CPPCC committee, at the second session of the Sixth Provincial CPPCC Committee on 1 March 1989]

[Excerpts] Fellow members:

Entrusted by the Sixth Provincial CPPCC Committee Standing Committee, I now deliver a report on the work done after the First Session of the Sixth Provincial CPPCC Committee to the session for examination and discussions.

I

Since the First Session of the Sixth Provincial CPPCC Committee, under the guidance of the 13th CPC Congress, under the leadership of the Provincial CPC Committee, in line with the guidelines of the first plenary session, and relying on the efforts of all CPPCC members, the Standing Committee has made great progress in its work; has made new contributions to promoting reforms, opening to the outside world, developing the economy, and building democracy and the legal system; and has laid a good foundation for doing further work in the future.

A. The Standing Committee carried forward the fine tradition of self-education, conscientiously studied the guidelines of the 13th CPC Congress and the 3d Plenary Session of the 13th CPC Central Committee, clearly understood the situation, unified the thinking, and upgraded the level of participating in and discussing government affairs. [passage omitted]

In the course of study, the Standing Committee carried forward the CPPCC's fine tradition of self-education and paid attention to linking theory with practice. Through study and discussion, CPPCC members deepened their understanding of the theory on the initial stage of socialism, the party's basic line, and the great significance of accelerating the development of social productive forces and building a new order of socialist commodity economy. In line with reality, they accurately analyzed the situations of the nation and the province, had a comparatively clear understanding of the achievements made during the last decade of reforms and the nature of the existing problems; and positively engaged themselves in improving the economic environment and rectifying the economic order. Meanwhile, they upgraded their ability in participating in and discussing political and government affairs in the course of study and practice.

B. Great progress was made in political consultations and democratic supervision become more regularized and institutionalized.

After the first session of the Sixth Provincial CPPCC Committee, the work of political consultation and democratic consultation was carried out in two spheres. 1) Six Standing Committee meetings; meetings of chairman, vice chairmen, the secretary general, and deputy secretaries general; and forums of personages of various circles were convened in a planned and well-prepared manner. These meetings discussed the issues concerning the standards for productive forces, the reform of the

housing system, goods prices, education, the rectification of party style, the improvement of the economic environment, the rectification of the economic order, and the deepening of reforms; heard the work reports made by leading comrades of the provincial party committee, the provincial government, and relevant departments; and held dialogues; and set forth many valuable suggestions and opinions. [passage omitted] 2) Various special committees conducted special investigations, studies, and consultations on the major problems in the political and economic spheres and on the implementation of major laws and rules. Meanwhile, these committees deepened their investigations on deepening commercial enterprise reform, running Sino-foreign joint ventures, developing border trade with the Soviet Union, comprehensively utilizing timber, launching an ice-and-snow festival campaign, implementing the land law of the PRC, and developing the economy in the minority nationality areas; studied and appraised the work concerning implementing the principle of relying on science and technology to rejuvenate the province, universities and colleges providing paid services, and implementing the policies on religion; and conducted special consultations on several local rules, such as the "Heilongjiang Provincial Method for Supervising and Managing Collective and Individual Mining Administrations and Mining Resources," the "Heilongjiang Provincial Regulation on Supervising and Managing the Quality of Industrial Products," and the "Heilongjiang Provincial Regulation on Managing City and County Libraries." All this provided the government with a basis for making policy decisions in these regards. In particular, the investigations on the implementation of the forest law and the study and appraisals of developing the Sanjiang Plain produced greater impacts within and outside the province and received the attention of and were praised by relevant leaders and responsible departments. [passage omitted]

C. The Standing Committee brought into play the CPPCC's advantages of having accumulated skilled persons and extensively keeping contact with the masses and served the progress of reform, opening to the outside world, and developing material and spiritual civilizations.

Developing the economy and rejuvenating Heilongjiang is a task and an aspiration of all people of the province as well as a binding duty of CPPCC members. While doing their jobs well, CPPCC members adopted various methods to study and appraise the work of reform and opening to the outside world and the development of two civilizations, and suggested positive ways and means. They also provided consultative services to facilitate economic development, intellectual development, and medical and health work. [passage omitted]

D. The Standing Committee enhanced its guidance over the work of the CPPCC organizations at various levels, and kept close contacts with the grass roots.

The provincial CPPCC committee enhanced its investigation and study in the past year. Chairman and vice chairman of the provincial CPPCC committee Standing Committee and some office cadres went well into more than 60 cities and counties (districts) to investigate the study the CPPCC work, and summed up the work experiences in order to help the provincial party committee make necessary preparations for convening the conference on CPPCC work. Meanwhile, the Standing Committee also reflected the difficulties in the work of the city and county CPPCC committees to the party committees and the governments at various levels so that many problems were solved in a step-by-step manner. [passage omitted]

E. The CPPCC's self-construction was enhanced.

After the Sixth Provincial CPPCC Committee, the Standing Committee readjusted and outfitted leaders and members of various special committees and work groups in a timely way, and perfected the administrative bodies. With the approval of the provincial party committee, the Standing Committee defined the principle of organizing and setting up district CPPCC work committees. The districts have prepared the establishment of their committees. Through discussing the standards for productive forces, CPPCC office cadres further fostered a concept of making CPPCC work serve economic construction and the development of productive forces and organizationally and ideologically laid a foundation for further pioneering a new situation in the CPPCC work. [passage omitted]

The major deficiencies in the work of last year were as follows: The Standing Committee failed to conduct, closely in line with the work priorities of the province, political consultation and democratic supervision over the major questions concerning policy decisions; failed to make adequate preparations for consultation on some issues; or conducted consultation in haste. In particular, the Standing Committee failed to bring its role into full play. Due to the failure to offer materials and conduct organizational investigation in advance, the committee could not offer high-quality consultation. Standing Committee members failed to bring into full play their advantages, particularly their role as a mass group. The Standing Committee also failed to deepen the study of the new situation, problems, and experiences in conducting the CPPCC work in the new situation. Without sufficient far-sightedness, the Standing Committee failed to do their work in a well-planned manner. The Standing Committee failed to forcefully handle the motions made by CPPCC members so that some major motions were not implemented in a timely manner. All these problems should be conscientiously solved through the practice of conducting the work ahead. [passage omitted]

Fellow members, the 3d Plenary Session of the 13th CPC Central Committee defined placing the focus of the reform and construction work in 1989 and 1990 prominently on improving the economic environment and rectifying the economic order. According to the policy decisions of the party Central Committee, the Heilongjiang Provincial CPC Committee convened a meeting of city (prefectural) party committee secretaries by the end of last year to set forth work priorities for improving the economic environment, rectifying the economic order, and continuously deepening reforms in 1989. The provincial party committee's conference on CPPCC work set forth definite requirements for CPPCC work in the foreseeable future. The central authorities stressed again that in the new year, we should grasp economic construction, reform, and the opening to the outside world with one hand; and grasp the work in the political and ideological field with the other; and stability, reform, and development should be integrated with each other. In line with these guidelines, the provincial CPPCC committee defined the guiding ideologies of this year's work as follows: Taking the guidelines of the 13th CPC Congress and the 3d Plenary Session of the 13th CPC Central Committee as a guiding principle, the provincial CPPCC committee should hold high the banners of socialism and patriotism; consolidate and develop the patriotic united front; focus on improving the economic environment, rectifying the economic order, comprehensively deepening reforms, and strengthening the establishment of socialist democratic politics; safeguard the situation characterized by stability and unity; bring into full play its advantages of political consultation and democratic supervision; and unite democratic parties, mass organizations, and patriotic personages of various nationalities on all fronts to work with one heart and soul in order to make greater contributions to facilitating the four modernizations, reunifying the motherland, and rejuvenating Heilongjiang. On these grounds, the Sixth Provincial CPPCC Committee Standing Committee made suggestions on emphatically attending to the work in the following few fields in 1989:

A. Organize and urge CPPCC members to conscientiously study the relevant important documents of the CPC Central Committee and achieve the education on the current situation.

The Standing Committee should conscientiously organize and urge CPPCC members to continue to deeply study the guidelines of the 13th CPC Congress and the 3d Plenary Session of the 13th CPC Central Committee and the relevant important documents of the central authorities; link the study of the guidelines of the provincial meeting of city (prefectural) party committee secretaries with the study of the guidelines of the provincial party committee's conference on CPPCC work; relay and study the documents adopted at the National People's Congress session and the national CPPCC session in a timely way; and organize the activities to mark the 70th anniversary of the "May 4th" Movement and the 40th anniversary of the founding of the PRC. [passage omitted]

B. Deeply implement the National CPPCC Committee's provisional regulation on political consultation and democratic supervision and the provincial party committee's several regulations on enhancing political consultation and democratic supervision, and further promote the regularization and systematization of political consultation and democratic supervision. [passage omitted]

C. Attend to work priorities, strengthen investigations and study, and serve the development of the material and spiritual civilizations.

In line with the important tasks, set forth by the provincial party committee, for placing the improvement of the economic environment and the rectification of the economic order in a prominent position, continuously deepening reforms, positively readjusting structures, striving to upgrade economic results, realizing a stable economic growth, ensuring social and political stability, and coordinating the development of all undertakings, the Standing Committee should attend to work priorities and conduct consultative and supervisory activities. [passage omitted]

D. Strengthen the work of maintaining contact with "three compatriots" and conduct friendly contacts with foreign countries. [passage omitted]

E. Strengthen the instructions over the work of the grass-roots CPPCC organizations and enhance the contacts with the brotherly provincial and city CPPCC committees. [passage omitted]

F. Strengthen the self-construction of CPPCC organs, further improve workstyle, and upgrade work quality.

It is necessary to strengthen the construction of CPPCC organs continuously in line with the spirit of reform. CPPCC organs should do their work resolutely according to the guidelines of the 13th CPC Congress and the 3d Plenary Session of the 13th CPC Central Committee. CPPCC office cadres should further enhance study, be inspired with enthusiasm, make efforts, and play an exemplary role in maintaining administrative honesty. We should ceaselessly improve workstyle, go deep to the reality to conduct investigations and study, and improve the quality of CPPCC work and work efficiency. [passage omitted]

Fellow members: This year, we are at the crucial moment of deepening reforms. Our province is confronted with a strained economic environment and arduous tasks of improving the economic environment, rectifying the economic order, and deepening reforms. In face of the historical responsibility, the CPPCC undertakes important missions and has to accomplish something. Under the leadership of the provincial party committee, we should persist in the principle of "long-term coexistence and mutual supervision" and the principle of "treating each other with all sincerity and sharing weal and woe with each other;" ceaselessly improve the system of

multiparty cooperation under the leadership of the Communist Party and the political consultation system; and make unswerving efforts to consolidate and develop the political situation characterized by stability, unity, democracy, and harmony. We should work together with the people of various nationalities throughout the province to make new contributions to realizing the reunification of the motherland, rejuvenating China, and making Heilongjiang flourish.

Northwest Region

Economic Problems Discussed at Shaanxi Meeting HK0704045189 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 7 Apr 89

[Excerpts] A provincial economic work conference opened in Changan County yesterday. Vice Governor Liu Chunmao delivered a speech entitled "Boost Confidence, Overcome Difficulties, and Spur the Development of Industrial and Communications Production Amid Readjustment." [passage omitted]

Liu Chunmao said: In readjusting the province's industrial economic structure, we must start with readjusting the product mix and lead forward the enterprise and sectoral structures toward rationality. He stressed that in readjusting the product mix, it is necessary to focus on grasping the production of 43 products in 5 sectors designated as key products by the provincial government for this year. In readjusting the enterprise structure, we must focus on cultivating and developing large profit and tax yielders. In readjusting the sectoral structure, we must give priority to developing primary industries such as energy and raw materials, and restrict ordinary processing industries. [passage omitted]

Vice Governor Xu Shanlin presided at the meeting. Speeches on specific topics were made in the afternoon.

The 43 products in 5 sectors designated as key products for this year include: 1) chemical fertilizer, pesticide, plastic sheeting, small tractors, and agricultural [word indistinct] vehicles; 2) cotton yarn, cotton cloth, printed cloth, woolen goods, silk products, chemical fibers, synthetic detergent, matches, pharmaceutical and medical products in keen demand, machine-made paper, and cardboard; 3) domestic washing machines, refrigerators, television sets, brand cigarettes, high-quality white wine, and beer, which are products in keen demand and withdraw a lot of currency from circulation; 4) crude coal, crude oil, electricity, pig iron, steel, electrolytic aluminum, gold, cement, plate glass, sulphuric acid, caustic soda, and pure soda; 5) color kinescopes, air conditioning compressors, refrigerator compressors, motor vehicles, civilian aircraft, motorcycles, trucks, bulldozers, sophisticated textile machinery, and industrial automation instruments and meters.

It is estimated that if production plans for these 43 products are fulfilled, they can boost industrial output value by 10 billion yuan and profit and tax yield by 250 million yuan this year, respectively accounting for 50 percent of the increased industrial output value and 70 percent of the increased profit and tax for the year.

NPC Deputy on Xinjiang's Foreign Ties

OW0604121389 Beijing in Russian to the USSR
1900 GMT 4 Apr 89

[Interview by station correspondent with NPC deputy Huang Baozhang, vice chairman of the Xinjiang Uygur Autonomous Regional People's Government—from the "Economy and Reform" program; recorded; date and place not given]

[Excerpts] The permanent representation of the Xinjiang Uygur Autonomous Region in Beijing occupies a small group of free-standing buildings built in the Muslim architectural style. A comfortable hotel is situated in one of them, while in the nearby white stone building a restaurant serving ethnic food is housed. The permanent representation became the residence for the Xinjiang delegation during the work of the Second Session of the Seventh National People's Congress. We arrived at the hotel at a prearranged time and hurried to the room occupied by Huang Baozhang. [passage omitted]

[Begin recording] [Huang Baozhang speaking in Mandarin fading into Russian translation] The policy of broadening foreign economic ties is presently the main political aim of the state which exerts an enormous positive influence on the development of socialist trade economy in China on the whole and Xinjiang in particular. [Passage omitted on natural resources, climatic conditions, and other advantages of region] However, natural resources and climatic conditions, no matter how wonderful these are, are not enough for organic development and the flourishing of the region. In order to transform the natural advantages made available to us into goods, great efforts must be exerted. This is the economic goal put before our autonomous region and the country as a whole and it is attainable. Only when goods that meet the high international standards can be produced will it be possible for us to confidently enter the domestic and international markets. [Passage omitted on ancient silk route]

In order for Xinjiang to undertake large-scale intensive economic construction, large capital investments are needed. We have to find for ourselves a large part of these investments since the government sources cannot cover the autonomous region's development expenses. These expenses have grown significantly over the past years. Therefore, presently we are establishing direct and long-range partnerships and cooperation ties with foreign companies and firms. [passage omitted]

Occupying a central position on the Asian Continent, Xinjiang shares a common land border with the USSR that stretches for more than 3,000 km. That is why it is

convenient for us to engage in trade and economic cooperation not only with the Soviet republics of Central Asia that border with Xinjiang but also by transcending Soviet territory make contact with countries of West Europe. Ties with countries of the West Asian region—Pakistan and countries of the Persian Gulf—is equally convenient.

At present, three Sino-Soviet border river ports have already been opened. It is expected that in the near future several other points will be added. [Passage omitted on continuous help and attention paid to the region by the central government]

There are 14 million people living in Xinjiang. Of these 8 million are Muslims who maintain contact with their co-religionists in the Soviet Union and Central Asian countries. The goods manufactured by the Muslims of Xinjiang are noted for their high quality, [word indistinct], and enjoy high popularity in Islamic countries. Naturally, this side of trade relations is also quite profitable. [passage omitted] [end recording]

Xinjiang Adjusts Industrial Economy's Direction

OW0604114189 Beijing XINHUA in English
1123 GMT 6 Apr 89

[Text] Urumqi, April 6 (XINHUA)—The Xinjiang Uygur Autonomous region has adjusted its industrial structure to stress the development of its salt, sugar, textile and non-ferrous metal industries to make good use of its natural resources, according to the regional economic department.

The regional government has given priority to supplying loans, raw materials and energy, as well as technological transformation and transport, since last year.

Almost all of the 600 million yuan (160 million U.S. dollars) spent last year on technological upgrading in Xinjiang was used to revamp the region's salt, sugar, textile and non-ferrous metals industries, which yield high profits, high taxes, and produce goods marketable on international markets.

Development of these industries has also accelerated the manufacturing of new products such as condensed Hami melon juice, licorice root sweetener, potato sauce, glazed tiles and furs.

And the new policy has reportedly begun to pay off. The salt industry alone earned 103 million yuan in profits and taxes last year—one-fifth of the total financial revenue of the autonomous region.

Profits and taxes from the salt, sugar, textile and non-ferrous metals industries amounted to 320 million yuan

last year. In addition, exports of those products earned 10 million U.S. dollars.

Individual localities have benefitted as well. For example, the Mongolian Autonomous County of Hoboksar, a poverty-stricken area, doubled its financial revenue in one year and became free from financial subsidies for the first time in decades.

Industries and products from Xinjiang have also helped support other parts of China. Xinjiang has supplied a

million tons of table and industrial salt, 100 million meters of cloth, and nearly 20,000 tons of refined sugar to 20 provinces, municipalities and autonomous regions since last year.

The autonomous region has decided to continue the acceleration of the pace of development of these industries. This year it plans to supply two million tons of salt, build three new sugar refineries with an annual production capacity of 135,000 tons and build a soda ash plant capable of producing 100,000 tons of the product.

PRC Seeks To Develop Taiwan Sports Exchanges

Olympic Committee Official Cited

HK0504070189 Beijing ZHONGGUO XINWEN SHE
in Chinese 1000 GMT 31 Mar 89

[“Mainland Reveals Principle for Resolving the Problem Concerning the Names for Sports Exchanges Between Two Sides of the Strait”—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 31 Mar (ZHONGGUO XINWEN SHE)—A senior official of the Chinese Olympic Committee yesterday said: “We will try to develop sports exchange between the two sides of the Taiwan Strait on the principle of seeking common ground while reserving differences and making joint efforts with the sports circles in Taiwan.”

This was revealed at a news briefing held by the State Sports Commission, and a report about this was published by China's authoritative ZHONGGUO TIYU BAO [CHINA SPORTS].

An analyst in Beijing quoted a senior sports official as saying that by seeking common ground while reserving differences, we mean that there should be flexibility in resolving the differences between the two sides. That is, under the premise of observing the relevant stipulations of the International Olympic Committee and recognizing the existence of only one China, people in the sports circles from both the mainland and Taiwan can find proper ways to solve some technical issues through consultations. By making joint efforts, we mean that both sides should make unremitting efforts to promote the sports exchange between the two sides.

ZHONGGUO TIYU BAO said: This senior official also said that “promoting sports exchanges between the two sides of the strait is the sincere desire of our two sides.”

According to another source, Wei Jizhong, secretary general of the Chinese Olympic Committee, expressed concern over some people in Taiwan who “raised a tune” with regard to the issue of the name. He said: “Some people raised the tune of the issue of the name to a political level, saying that ‘Taipei, China’ means ‘Taipei of the Republic of China.’ This may make the issue more complicated.”

It is learned that Wei Jizhong, together with He Zhenliang, vice chairman of the Chinese Olympic Committee, came to Hong Kong in mid-March to hold talks with some people in the sports circles in Taiwan.

Accord Reached on Taiwan Team Name

HK0704092889 Hong Kong HSIN WAN PAO
in Chinese 7 Apr 89 p 1

[Report: “Beijing, Taipei Simultaneously Announce the Name To Be Used by Taiwan Sports Teams Participating in International Events”]

[Text] At 1000 this morning, Beijing and Taipei simultaneously announced that from now on, sports teams from Taiwan will officially use the Chinese name—“Chung Hua Tai Pei [Chinese Taipei]”—to participate in international sports events held on the mainland.

In Beijing, He Zhenliang, vice chairman of the Chinese Mainland Olympic Committee, said that the mainland respects the Chinese name which sports teams from Taiwan are accustomed to using. He also said that the sports organizations on the two sides will strictly abide by the relevant stipulations of the International Olympic Committee.

When announcing this decision in Taipei, Chang Fenghsu, chairman of the Taipei Olympic Committee, indicated that this was the result of negotiations over more than 2 months. In addition, Li Ching-hua, secretary of the Taipei Olympic Committee, said at a news conference that this was a satisfactory result which had been achieved through hard work.

The agreement between the Olympic committees on the two sides was signed by He Zhenliang, vice chairman of the Mainland Olympic Committee, and Li Ching-hua, secretary of the Taipei Olympic Committee. They concluded this agreement yesterday morning in Hong Kong and then returned home immediately. The agreement was announced simultaneously this morning.

Further on Exchanges

OW0704123589 Beijing XINHUA in English
0915 GMT 7 Apr 89

[Text] Beijing, April 7 (XINHUA)—“I believe that the bilateral direct sports exchange between the two sides of the Taiwan Straits will be realized quite soon,” He Zhenliang, vice president of the Chinese Olympic Committee (COC) said here today.

He made the remark at a press conference held by the Chinese Olympic Committee.

When asked for the direct sports exchange between the two sides of the Taiwan Straits, the COC vice president said it is in accordance with the will of the people and it is also accordance with the main trend of the situation. I believe that “the bilateral direct sports exchanges between the two sides of the Taiwan Straits will be realized quite soon. [sentence as received] Actually, some sportsmen and some sports leaders from Taiwan already came to the mainland for international competitions and meetings. Until now we have no sportsmen

and sports leaders to go to Taiwan. I think as the conditions are ripe, our sportsmen and sports leaders will visit the Taiwan region."

"We think the conditions will be ripe for the sportsmen and sports leaders to be sent from Taiwan to the mainland for bilateral direct exchange in sports competition and sports meetings and sports demonstrations on the mainland," he continued.

The COC vice president also announced that gymnasts from China's Taiwan region will use their customary Chinese version of "Zhonghua Taibei" to compete in the coming Asian junior gymnastics championships slated for April 21-23 in Beijing.

Taiwan's Participation in Bank Meeting Welcomed
HK0704014889 Hong Kong WEN WEI PO
in Chinese 7 Apr 89 p 1

[Dispatch from correspondent Liu Jui-shao: "Beijing Welcomes Taiwan's Participation in Asian Development Bank Meeting"]

[Text] Beijing, 6 Apr—The Taiwan authorities' announcement that "Finance Minister" Kuo Wan-jung will head a delegation to the forthcoming Asian Development Bank meeting in Beijing has aroused the attention of various sectors. According to unofficial sources, the mainland welcomes this in principle, but no official response has yet been made because the Taiwan side has not announced under what name they will be attending the meeting.

Apart from its title, there is also another problem concerning this delegation headed by Kuo Wan-jung that urgently needs solving; that is, what documents they will carry to enter the mainland. According to sources, there is one compromise method, which is for the Asian Development Bank to issue representatives' identity documents for attending the meeting. No signatures are required if the representatives from various places enter China carrying such identification. This is similar to the method used in the Olympic Games.

Yan Mingfu on Trade Cooperation With Taiwan
HK0704074589 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1015 GMT 3 Apr 89

[Yan Mingfu Suggests That the Two Sides of the Strait Should Join Hands in Entering the International Market on the Basis of Mutual Benefit"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 3 Apr (ZHONGGUO TONGXUN SHE)—According to a report from Taipei, Yan Mingfu, director of the United Front Work Department of the CPC Central Committee and vice chairman of the National Committee of the Chinese People's Political

Consultative Conference, said recently when being interviewed by Taiwan reporters that the mainland and Taiwan should, and can, join hands in entering the international market on the basis of mutual benefit and facing the 21st century.

According to the TZU LI WAN PAO report on the exclusive interview sent by Hsu Lu and Huang Te-pei from Beijing, when talking about Taiwan's "elastic diplomacy," Yan Mingfu said that the mainland never takes exception to Taiwan's people-to-people contacts and economic and trade relations with other countries, and that the mainland only opposes the creation of two China's in real terms.

Yan Mingfu indicated that the CPC wishes to see prosperity and economic development in Taiwan. He said: "We know that Taiwan is a region with close international trade ties with the outside world, and its prosperity or depression are closely related to the international economy. We fully understand this, and do not oppose this at all."

Yan Mingfu denied that the mainland's purpose in doing business with Taiwan businessmen is to carry out its united front tactics. He said that trade and economic relations with Taiwan serve the purpose of feeding the 1 billion people and ensuring their livelihood. He stressed: "The world of the future will be a world requiring cooperation. No country can survive without being open to the outside world. The mainland and Taiwan can and should develop a mutually beneficial relationship and join hands in entering the international market." However, many products made and exported by the two sides are identical, so there is competition between the two sides. "This provides an opportunity for foreigners to gain the greatest benefit, because they can take advantage of the competition between the mainland and Taiwan to procure the goods at the lowest possible price and thus make big profits." So, "if the two sides do not cooperate, there will be more disadvantages than advantages for the people."

Yan Mingfu then told the Taiwan reporters that "I do not mean that without developing large-scale trade and economic cooperation with Taiwan, the mainland will not be able to survive. We are not trying to beg for Taiwan's agreement. Taiwan has scored tremendous achievements in economic development, and we, in fact, have some factors and a mentality of competing with Taiwan." "We do not want to beg alms from Taiwan or eat from the same big pot with Taiwan. We have no such idea at all. We do not at all want to plunder Taiwan's wealth or lower Taiwan residents' standard of living. We think that as both sides share the same language and same culture and belong to the same nation, we can and should give play to our respective advantages through cooperation on the basis of mutual benefit so as to jointly face the 21st century."

Yan Mingfu pointed out: "The Taiwan economy is like a man who has had a full meal and now needs to digest what is in his stomach in order to prevent indigestion and achieve new energy. However, the Taiwan authorities do not allow the quick method of digesting the food, and only approve indirect trade. Yet indirect trade only benefits the third party, and cannot benefit the people on both sides."

PRC-Taiwan Economic Relations in 'New Stage'
OW0604035689 Beijing BEIJING REVIEW in English
No 14, 3-9 Apr 89 pp 20-23

[Abridged article from the 26 December "OUTLOOK WEEKLY" Overseas Edition by Li Dahong: "Mainland-Taiwan Economic Relations on the Rise"]

[Excerpts] The mainland and Taiwan have ended their history of one-way, indirect trade. Since 1988, several mainland vessels loaded with coal have called at Taiwan's ports, and the variety and quantity of mainland products being shipped to Taiwan are expected to continue to increase. Meanwhile, several hundred small- and medium-sized enterprises based in Taiwan have bypassed obstacles and made investments in the mainland. Many large enterprises in Taiwan also have sent delegations to the mainland on inspection tours. Economic and trade relations between the two sides of the Taiwan Strait have thus entered a new stage.

Development From Scratch

Between 1949 and 1978, because the mainland and Taiwan were cut off from each other, no trade relations existed between the two. But customers in Taiwan still purchased Mainland Chinese medicinal herbs, tea and other native products through various channels, with a total volume of up to U.S.\$50 million a year. During this period, commodities purchased by mainland customers from Taiwan were limited, never exceeding a maximum of U.S. \$50,000 a year.

In December 1978, the third plenary session of the 11th party Central Committee set forth the principle of peaceful reunification of the motherland, ushering in a new period of relations between the two sides. The Message to Compatriots in Taiwan issued by the Standing Committee of the Fifth National People's Congress on January 1, 1979 noted that, "Economically speaking, Taiwan and the mainland of the motherland were originally one entity.... There is every reason for us to develop trade between us, each making up what the other lacks, and carry out economic exchanges. This is mutually required and will benefit both parties without doing any harm to either."

Over the past decade, the economic, trade and financial departments as well as the customs, banks and other relevant departments have adopted a series of active measures to promote trade between the two sides. Because the mainland considers trade with Taiwan as an economic exchange between different regions of China,

it levies no customs duties on commodities imported from or exported to Taiwan, and the formalities involved are comparatively simple.

With regard to exports, in accordance with demand from the Taiwan market, the various foreign trade companies on the mainland have given priority to supplying commodities most in demand, such as medicinal herbs, with preferential prices, and have offered preferential treatment and convenience in transportation. The mainland also has made preparation for long-term, stable export of coal and other raw materials in large quantities to Taiwan. With regard to imports, mainland foreign trade companies give first place to commodities from Taiwan when the commodities available for import are of similar quality and price. In 1980, a number of foreign trade corporations on the mainland sent a joint purchasing group to Hong Kong to purchase commodities from Taiwan, and the first batch of contracts signed were valued at U.S.\$80 million. In addition, the state has provided foreign exchange to support the purchase of commodities from Taiwan. With these positive measures, indirect trade between the two sides has developed apace.

The Taiwan authorities, however, have adopted an obstructive attitude towards the Communist Party's proposals on developing transportation, postal services and trade between the two sides and have repeatedly declared that its "established policy" is "no trade with the Communist Party." It also warned Taiwan business people not to fall into the "trap of the united front" when trading with the Communist Party. But the development of trade between the two sides is in the interest of Taiwan industrialists and business people and also is needed for Taiwan's economic development. Therefore, many people in industrial, commercial and other circles in Taiwan have endeavored to promote trade between the two sides. They have surmounted various obstacles and established commodity trade relations with the mainland through various forms and channels, resulting in the rapid growth of indirect trade between the two sides. Under these circumstances, Taiwan authorities have had to gradually relax the restrictions on indirect trade.

According to statistics, between 1979 and 1987, entrepot trade between the mainland and Taiwan via Hong Kong was valued at U.S.\$5.5 billion, including U.S.\$1.1 billion of goods from the mainland and U.S.\$4.4 billion of goods from Taiwan. Commodities transmitted to Taiwan from the mainland via Hong Kong mainly include medicinal herbs, cereals, oils, aquatics, native produce, animal by-products, minerals, raw materials for textiles and chemicals. Taiwan's commodities transmitted to the mainland via Hong Kong mainly include raw materials for chemical fibres, chemical fabrics, building materials, light industrial products, chemical products, electrical appliances and machinery. During this period, the entrepot trade between the two sides via Hong Kong rose by nearly 20 times, registering an average annual growth rate of 45 percent.

The mainland took the initiative of stopping the military confrontation with Taiwan, and this has promoted a serene and peaceful atmosphere on the Taiwan Strait. The small amount of trade between Taiwan's southeastern coastal areas, which has developed since 1981, has opened a channel of direct trade between the two sides. Using fishing boats of less than 100 tons, these fishermen (later joined by some small and medium-sized businesses) shipped U.S. \$50,000 worth of commodities between Taiwan and the mainland each year. Since 1981, the small amount of trade between the mainland's southeastern coastal areas and Taiwan has totalled U.S. \$50 million. This small trade began to grow in 1985. To cope with this development, the southeastern coastal areas of the mainland gradually opened 36 ports and established Taiwan-oriented trading companies, as well as customs and frontier inspection stations, bringing this trade into the normal orbit.

With the growth of indirect trade between the two sides, their economic exchanges have gradually expanded from trade to investment, technological co-operation and other areas. Since 1983, Taiwan compatriots' investments in the mainland have increased year by year. Today, Taiwan-funded enterprises are mostly concentrated in light industry, such as production of shoes, umbrellas and toys, prawn and eel breeding, electronic assembly, and hotels. Investment ranges from hundreds of thousands of U.S. dollars to U.S. \$1 million.

Turning Point

The year 1988 marked the turning point of trade between the mainland and Taiwan.

With the daily relaxation of relations between the two sides, the mainland has made continual efforts to promote the development of trade with Taiwan. On July 6, 1988, the State Council issued the Stipulations on Encouraging Taiwan Compatriots' Investment in the Mainland. On September 27, an official of the Ministry of Foreign Economic Relations and Trade made a speech, once again appealing for direct trade between the two sides, and asking for direct contact with responsible economic and trade departments in Taiwan to discuss and solve trade problems.

The Taiwan authorities also have adopted some flexible measures in their relations with the mainland. Although these are quite limited, they have complied with the call for objective reality. As a result, some gratifying results have been obtained.

—Open, legalized and two-way trade exchanges have appeared. Today, Taiwan business people can not only openly and legally import some mainland commodities indirectly to Taiwan but can also ship mainland goods directly from mainland ports to Taiwan via a third port by signing a contract in Hong Kong or in some place other than the mainland or Taiwan. On

August 8, the cargo ship Haizhibao, loaded with mainland coal, arrived at Taiwan's Gaoxiong Port, marking the beginning of two-way indirect trade between the two sides.

—Economic exchanges have expanded day by day. According to statistics, at least half of the 400,000 Taiwan compatriots who have visited the mainland since 1988 made a special trip here, or on their way home, to conduct talks on trade and investment in the mainland. The value of indirect trade between the two sides was highly likely to top U.S.\$2.7 billion in 1988, equal to almost half of the total volume of trade in the previous nine years. The number of projects funded by Taiwan compatriots on the mainland rose to nearly 400, and the total investment topped U.S.\$600 million, more than three times that of previous years.

—Non-governmental trade organizations were in open contact to tackle problems of indirect trade across the straits. With the development of economic relations between the two sides, safeguarding the legitimate economic rights and interests of both parties has increasingly become a question of concern across the strait. On August 20, 1988, non-governmental commercial arbitration organizations from both sides met in Hong Kong for the first time. On October 28, commercial and legal experts representing the China Council for the Promotion of International Trade of China's mainland, the Taiwan Trademark Patent Society and the Taiwan Trade Society of Hong Kong met and further exchanged views. They agreed to establish the China Commercial Affairs Coordination Committee in Hong Kong to promote the development of economic relations and trade between the two sides, provide information and consulting services, and mediate and solve business disagreements.

Characteristics

Since 1979, trade between the two sides has shown the following characteristics:

—In economic development, the mainland and Taiwan each have had their own strong points and shortcomings. Promoting trade between the two sides helps make up each other's needs and achieve common prosperity, which is also the common desire of industrial and business personnel and others on both sides of the strait.

—The mainland's trade policy towards Taiwan is becoming increasingly open. Before 1985, only import and export corporations at the central level on the mainland handled import and export trade with Taiwan. Now this business has expanded to all import and export companies on the mainland.

—In its trade with Taiwan, the mainland has always had a huge trade deficit. This is mainly due to obstructions inflicted by the Taiwan authorities on trade across the

strait. In the past year, the Taiwan authorities have continued to adhere to the practice of "indirect, non-governmental, one-way and gradual" trade with the mainland, keeping mainland commodities from entering Taiwan legally. By the end of 1987, the mainland's trade deficit had totalled U.S. \$3.46 billion, and it was expected to top U.S.\$1.5 billion in 1988.

Indirect trade has restricted the development of trade between the two sides. Since 1979, Hong Kong and Macao have become bridges linking trade across the strait and helping indirect trade between the two sides go on. In the transport of commodities, Hong Kong has become an important "transfer station." In the settling of accounts, commodity inspection, arbitration and compensation in trade across the strait, as well as in trademark registration and patent protection, Hong Kong has played and will continue to play an important role.

Prospects

Currently, the mainland is improving its economic environment and readjusting its economic structure in an effort to create a more favourable investment climate for all investors, and this will also benefit trade between the two sides. In handling its trade affairs, the mainland has always abided by contracts and acted in good faith, and will never harm its economic ties and trade with Taiwan industrialists and business people because of its efforts to consolidate its economy. It has been learned that relevant departments on the mainland are adopting a series of measures to guarantee the supply of goods and transportation in its trade with Taiwan. For instance, although the mainland is also short of some raw materials, the relevant authorities on the mainland still managed to find supplies to meet the needs of Taiwan businessmen. The mainland has also tried to enhance work efficiency in Taiwan-funded enterprises and in service for mainland Taiwan trade, and to provide Taiwan compatriots with more economic and trade information.

At present, the main problem lies in unreasonable restrictions imposed by the Taiwan authorities on trade between the two sides. The public hopes the Taiwan authorities can flow with the tide of historical development, eliminate hostility towards the Communist Party, open direct trade between the two sides, withdraw man-made obstacles to trade with the mainland at an early date, promote the balance of trade across the strait and improve the structure of commodities traded. Simultaneously, it is hoped that governmental and non-governmental organizations on both sides will discuss concrete matters of bilateral trade to ensure economic relations and trade between the two sides develop permanently and steadily in an ordered manner.

'Roundup' on Mainland, Taiwan Trade Relations HK0604030589 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0815 GMT 2 Apr 89

[Roundup by Li Xiaozhun (2621 1321 6150): "Prospects of Economic and Trade Relations Across the Strait"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 2 Apr (ZHONGGUO TONGXUN SHE)—In recent years, economic and trade relations across the strait have been stepped up steadily; last year the total value of indirect trade between the two sides surpassed \$2.7 billion, and even though it is unknown whether the 80 percent growth of last year will be maintained this year, it is generally predicted that the prospects for mutual economic and trade activities across the strait are optimistic. Some experts think that, in the years to come, accompanying the mutual benefits resulting from economic and trade activities across the strait will come new changes in economic and trade relations.

According to available data, trade across the strait conducted indirectly through Hong Kong has developed continually since 1984, and the money involved has greatly increased. This kind of indirect trade has also been conducted through Singapore, Japan, Thailand, and the Philippines. The officials in Taiwan's economic and trade bureau have estimated that, due to the fact that both sides need each other and to the gradual opening of Taiwan to mainland products, the money involved in indirect trade across the strait will keep rising steadily. Some economic experts in Taiwan have further pointed out that if Taiwan can remove some of the present restrictions, then the potential for developing trade across the strait will really be great.

People have noticed that of the total value of \$2.7 billion involved in the indirect trade across the strait last year, Taiwan imported only \$0.7 billion worth from the mainland. The difference in value between imports and exports was great, and was due to Taiwan's policy of allowing only indirect trade and to its principle of administering only imports but not exports. But some experts think that such a trade situation will change this year, with Taiwan exporting less to the mainland, and the mainland more to Taiwan. This is mainly because Taiwan has an excessive reserve of foreign currency, and there is pressure to revalue the new Taiwan dollar. Therefore, Taiwan wishes to increase imports and reduce exports to ease the contradiction. On the other hand, due to changing demand, the mainland has started reducing imports of consumer goods from Taiwan, and has gradually developed processing industry with materials from Taiwan to produce products for shipment back to Taiwan through Hong Kong. This model helps the mainland in exporting its products to Taiwan, so as to strike a balance in trade across the strait.

In addition, in the future development of trade across the strait, the gradual increase of Taiwan's reliance on the mainland will be an explicit characteristic. Some economists in Taiwan have made analyses to the effect that in recent years, Taiwan has become more dependent on the mainland in both export and import trade, and this will be a continuing trend. It is predicted that in 1997, when Hong Kong changes sovereignty, Taiwan will rely on the mainland for over 15 percent of its trade. And the contributing factors for this condition are these: Taiwan has suffered from pressures arising from environmental protection, labor disputes, and increasing production costs; therefore, capital has been shifting overseas. On the other hand, cheap labor on the mainland and its tremendous market potentials are great attractions to Taiwan manufacturers. Some experts in Taiwan think that developing economic and trade activities across the strait is undoubtedly beneficial to the strengthening of Taiwan's overall economy, but because of the fact that political relations between both sides have yet to improve, there exists corresponding risk in trade. Therefore, these experts appealed for greater courage from Taiwan to formulate a long-term and forward-looking policy on trade with the mainland, enabling a healthy development of economic and trade relations between the two sides.

New Regulations Set for Trade With Taiwan
HK0604145589 Beijing CEI Database in English
5 Apr 89

[Text] Beijing (CEI)—New regulations for trade with Taiwan were issued recently in the mainland. The main points are as follows:

Centralizing the administration of trade with Taiwan and improving the license system for import and export commodities;

Twenty-seven kinds of export and transit commodities including peanut, coal, grey cotton cloth and aluminium ingot must be approved by the Ministry of Foreign Economic Relations and Trade (MFERT);

The import of cement, artificial leather, paper and other licensed commodities from Taiwan must be approved by the MFERT.

Restrictions on the import of nylon umbrellas, cosmetics, sports goods, garments, shoes, lamps, watches and production lines.

Party and government departments, mass organizations, individuals and people who have relatives in Taiwan are not allowed to set up organizations for trade with Taiwan.

PRC, Taiwan, Saudi Arabia Relations Viewed
HK0604044089 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1015 GMT 4 Apr 89

["Red Light to Relations Between Taiwan and Saudi Arabia Is Switched On"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 4 Apr (ZHONGGUO TONGXUN SHE)—According to Taipei, as Saudi Arabia has appointed Tawfiq Khalid 'Alamdar, director of protocol of the Ministry of Foreign Affairs, to be the representative of the trade office to Beijing, Taiwan diplomatic circles hold that this appointment with a high degree of political flavor officially switches on the red light to future relations between Taiwan and Saudi Arabia.

A few days ago, in a special speech on international relations, Lien Chan, minister of foreign affairs of Taiwan, pointed out that to balance its relations with the United States, Saudi Arabia "had broken with the taboo on establishing diplomatic relations with communist countries." China was the first country with which Saudi Arabia mutually set up an organ; whether or not it will be the first communist country with which Saudi Arabia establishes diplomatic relations is drawing the attention of the Taiwan media.

While analyzing the future development of the triangular relations among Taiwan, China, and Saudi Arabia, Chang Ching-yu, former director of the Press Bureau of Taiwan and current director of the International Relations Center, also pointed out that the best thing Taiwan could do now was to allow the status quo to continue and to try its best to delay the establishment of diplomatic relations between Saudi Arabia and China; the worst situation was "the reversal"—the establishment of the diplomatic relations between China and Saudi Arabia, with the Taiwan organ to Saudi Arabia becoming a commercial office.

Taiwan media pointed out that despite Taiwan's "splendid achievements" in promotion of substantial relations with its actual economic strength, the "official diplomatic relations" between Taiwan and Saudi Arabia, South Korea, and the Vatican were in a "precarious" situation. "Diplomatic circles and media here should really face this fact soberly."

Former Taiwan Pilot Joins PLA Air Force
HK0604042289 Beijing ZHONGGUO XINWEN SHE
in Chinese 0250 GMT 5 Apr 89

["Lin Hsien-shun Joins Mainland Air Force, Gets Assignment and Military Rank"—ZHONGGUO XINWEN SHE headline]

[Text] This reporter was informed that Lin Hsien-shun [Lin Xianshun], former lieutenant colonel and chief instructor of the Taiwan Air Force, who piloted a plane

from Taiwan to the mainland, has recently been made a lieutenant colonel and appointed deputy chief of staff of a pilot college attached to the Air Force.

At an interview in Beijing with this reporter, Lieutenant Colonel Lin Hsien-shun said: "Soon after my arrival on the mainland, I expressed my wish to join the PLA Air Force, because this is my own old profession. Now the wish has come true and I feel very pleased with it. Not long ago I took an official post at a pilot school. I will do my best to fulfill my duty."

Lin Hsien-shun also told this reporter his experience and impressions after he came to the mainland. After the minor wounds he received when bailing out of the plane healed, he visited such places as Guangzhou, Zhongshan, Zhuhai, Beijing, Xian, Shanghai, Suzhou, and Hangzhou in succession and went to his ancestral home in Meizhou City, Guangdong Province, to seek his family roots. He said: People everywhere I visited, whether they were fellow townsmen or leading cadres or officers and working personnel in local governments and Army units, showed great solicitude for me and I felt warm living among them. So far I have been feeling very happy and have managed to adapt myself to the life here.

In his opinion, the mainland is better than he imagined. The rapid economic development of the coastal areas and the hinterland is exceeding his expectations. Their economic development exceeds Taiwan's in some aspects.

Lin said that when he was in Taiwan, he had heard that the mainland's scenery was beautiful and there were numerous historic sites deserving of the reputation they enjoyed. The visits to the Great Wall, the Imperial Palace, and the Summer Palace in Beijing, the terra-cotta horses and warriors of the Qin years in Xian, Yuyuan and Daguanyuan in Shanghai, Yuanlin in Suzhou, and Xi Hu in Hangzhou were eye-openers for him. The construction and warm sentimental feelings of the Hakkas in his home town of Meizhou, the tidy appearance and broad streets of Beijing, and the simple nature and beauty of girls everywhere he visited left a fairly good impression on him.

However, he also pointed out: Some interior areas on the mainland are still underdeveloped; in some cities the traffic is overcrowded and hygiene conditions are relatively poor; attendants in some public service units offer bad services; and the service of the civil aviation sector has yet to be improved.

Buy American Missions To Shed Political Color
*OW0704070289 Taipei CNA in English 0255 GMT
7 Apr 89*

[Text] Taipei, April 7 (CNA)—This year, the Republic of China's [ROC's] buy-American missions will shed their political color to more flexibly promote substantive trade relations with the United States, an economics official said Thursday.

He said this year's buy-American missions will be divided into a wheat group and an industrial products group that prior to their departure for the U.S., will send special smaller groups to participate in various product exhibitions in America.

These advance groups will engage in direct negotiations with the American businesses in order to strike good bargains, he said.

He noted that political considerations previously kept the ROC buy-American missions somewhat rigid in their dealings with Americans.

U.S. congressmen and local governments have welcomed the ROC's buying missions, and many of them have openly hoped that the ROC would continue to send such missions to the U.S.

Further on Decision To Attend Beijing Meeting

CNA Report

*OW0604124089 Taipei CNA in English 1201 GMT
6 Apr 89*

[Text] Taipei, April 6 (CNA)—The Republic of China [ROC], in a cabinet meeting Thursday, decided to attend the 1989 annual meeting of the Asian Development Bank (ADB) to be held in Peiping May 4-6. The ROC is an ADB member.

Finance Minister Shirley Kuo was appointed to replace Governor Chang Chi-cheng of the Central Bank of China Kuo as a director of the ADB board of governors, and head of the ROC delegation to the forthcoming ADB meeting. [sentence as received]

"The ROC Government's decision to participate in the ADB meeting has nothing to do with its no-contact policy with the Chinese communist regime," said Hsueh Yu-chi, an advisor to the Ministry of Foreign Affairs and concurrently a delegate of the ROC mission.

"The move," Hsueh said, "is only to fulfill the ROC's obligation as a ADB member."

Hsueh met the press soon after the Government Information Office released the namelist of a 12-member delegation to the ADB meeting Thursday afternoon.

He said that the delegates will under no circumstances visit the mainland with certificates issued by the communist regime for Taiwan residents only.

"We will attend the Peiping meeting not only as an ADB member but also as a sovereign state," Hsueh said.

Decision 'Well-Received'

*OW0704044389 Taipei CNA in English 1554 GMT
6 Apr 89*

[Text] Taipei, April 6 (CNA)—The Republic of China [ROC] Government's decision to send a delegation to the annual meeting of the Asian Development Bank [ADB] scheduled for May 4-6 in Peiping was well received by both scholars and legislators here Thursday.

Legislator Jaw Shau-kong, a young Turk of the ruling Kuomintang, praised the decision as a breakthrough in helping polish the ROC's international image.

Jaw said he expected the government to further adjust its current mainland policy to permit public functionaries to visit the communists-controlled China mainland, even while the ROC's fundamental policy of "no official contacts" with the Peiping regime remains intact.

Another legislator Lin Yu-hsiang said he believed that decision would be a milestone in the ROC's efforts to assume a greater role in the international arena. "From now on, the government will actively participate in international activities," he said.

Because of the move, ROC citizens will have greater confidence in the nation, legislator Huang Ho-ching said.

In interviews with CNA Thursday, several scholars unanimously lauded the decision, saying it was not only a wise but also a significant move.

Chang Lin-cheng, professor at National Taiwan University, noted that "it indicates that the government has adopted a more flexible attitude in foreign policy dealings and in ties between the two sides of the Taiwan Strait."

Professor Yang Feng-tai of National Chengchi University noted that participating in the ADB meeting is vital, because the ADB has maintained close economic, trade, and financial ties with the nation.

Cabinet Approves Delegation List

*OW0704044289 Taipei CNA in English 1558 GMT
6 Apr 89*

[Text] Taipei, April 6 (CNA)—The Executive Yuan approved a list of members in the Republic of China [ROC] delegation to the 1989 annual meeting of the Asian Development Bank [ADB] Thursday.

The cabinet also accepted the resignation of Chang Chi-cheng as the ROC director in the ADB Board of Governors and replaced him with Ms. Shirley Kuo, finance minister.

Following is the list of the ROC participants who will make the visit to Peiping in May:

Director: Shirley Kuo, finance minister

Deputy Director: Hsueh Yu-chi, advisor to the Foreign Ministry

Temporary Deputy Director: Samuel Hsieh, board chairman of the Communications Bank

Advisor: Tsui Tzu-kan, vice chairman of the Council for Economic Planning and Development

Advisor: Wu Tzu-tan, director of the Department of International Organizations, Foreign Ministry

Advisor: Lin Chin-ching, deputy representative, Tokyo office, Association of East Asia Relations

Advisor: Jeffrey Koo, advisor to the Executive Yuan

Advisor: Hsueh Wei-chung, general manager of Treasury Department, Central Bank of China

Advisor: Lai In-jaw, director of Customs Administration, Finance Ministry

Secretary: Eddie K.Y. Tung, section chief, Department of International organizations, Foreign Ministry

Secretary: Tang Chi-mei, secretary, Finance Ministry

Secretary: Pai Ching-jen, secretary, Foreign Ministry.

Finance Minister on Meeting

OW0704043589 Taipei CNA in English 1607 GMT
6 Apr 89

[Text] Taipei, April 6 (CNA)—Republic of China [ROC] Finance Minister Shirley Kuo, just appointed chief ROC delegate to the 1989 annual meeting of the Asian Development Bank [ADB] in Peiping, told the press Thursday that she would attend the meeting in her capacity as a director of the ADB board governors.

"I will fly to Peiping only because the ADB meeting will open there," said Ms. Kuo, the ROC's first female minister.

She gave no further details about ways to solve the name issue, which has troubled the [words indistinct] since the Peiping regime applied to join the regional financial organization a few years ago.

Meanwhile, Chang Chi-cheng, governor of the Central Bank of China told the press that he had resigned as head of the ROC delegation to the coming ADB meeting because he was too old to undertake the difficult, uphill task.

President Discusses Diplomatic Flexibility

OW0604055289 Taipei International Service
in English 0200 GMT 3 Apr 89

[Text] President Li Teng-hui said Peking should not object to Taipei's diplomatic flexibility because a prosperous and democratic Republic of China [ROC] will be a blessing for the Chinese nation as a whole.

Making his first open comments on Peking's recent criticism of the ROC efforts to strengthen its international standing by abandoning its rigid either/or stand of the past, Li pointed out that Taipei has always upheld the one-China concept and advocated eventual national reunification. Li further said Peking should set its sight far ahead and be broad-minded in evaluating Taipei's new diplomatic move. Li noted that as the ROC is getting strong economically at a time when U.S. influence in Asia is receding, a role readjustment by the ROC in the Asian region has become one of Taipei's diplomatic priorities. He said: "We have to use our economic strength to blaze a trail of our own."

Overstaying Mainland Visitors Risk Deportation

OW0704070389 Taipei CNA in English 0257 GMT
7 Apr 89

[Text] Taipei, April 7 (CNA)—Compatriots from the Chinese mainland visiting Taiwan risk being deported if they have insufficient reasons for overstaying their authorized stay, a senior official of the Entry and Exit Bureau said Thursday.

Liu Pong-chun, the bureau's deputy director, said that except for those who are obliged to stay longer because of transportation delays, visitors from the mainland whose entry permits have expired will be deported and their guarantors here prosecuted.

As guarantors have signed the applications to visit submitted by mainland relatives to guarantee that the visitors will respect the laws and regulations of the nation, Liu noted, they are also responsible for their departure.

According to the bureau's statistics, 266 mainlanders here to visit ailing parents or to attend the funerals of their parents have overstayed their permitted two-month stay and are still on the island as of April 4.

Defense Minister on First Locally-Made Fighter

OW0704043689 Taipei CNA in English 1603 GMT
6 Apr 89

[Text] Taipei, April 6 (CNA)—The Republic of China Air Force will test-fly the nation's first locally made jet fighter soon, Defense Minister Cheng Wei-yuan said Thursday. He did not specify when.

The fighter is coded "Indigenous Defensive Fighter" (IDF).

In his military administrative report to the defense committee of the Legislative Yuan, Cheng also pointed out that the Armed Forces have been developing various new weapons.

He said Tienchien-1 (Heavenly Sword-1) missile was currently being tested, and its production is scheduled for fiscal 1990 which starts on July 1 this year.

The military has successfully tested the Tienchien-2 missile many times and has sent it off to army units for actual service, he added.

The Tienchien-2's capabilities are now being improved and research and development on this missile is expected to be completed in 1991, according to Cheng.

He continued that the Hsiungfeng-1 (Gallant and Stately Wind-1) anti-ship missile has been deployed by navy and army units, and that the Hsiungfeng-2 has been successfully tested.

The army is carrying through on its plan to build its own M48H tanks in a bid to beef up its strike capabilities, the minister said.

In addition, he said, the government has also dispatched several people abroad to study the production of six-wheeled armored vehicles.

Economic Affairs Vice Minister Li Mo Resigns

OW0504002489 Taipei Domestic Service
in Mandarin 2300 GMT 30 Mar 89

[Text] Minister of Economic Affairs Chen Li-an has confirmed that Li Mo, vice minister in charge of government affairs, presented his resignation. He said that he reported this matter to Premier Yu Kuo-hua and is waiting for the premier's instructions. Chen Li-an said: He hopes that Li Mo's replacement will be selected from within the Ministry of Economic Affairs.

Wang Chien-shien, economic vice minister, is expected to be appointed as vice minister in charge of government affairs. His vacancy is expected to be filled by (Chang Chung-chien), vice director of the Committee of State Enterprises.

Official Says KMT Firm on Democratization

OW0504054789 Taipei CNA in English 1530 GMT
4 Apr 89

[Text] Taipei, April 4 (CNA)—Lee Huan, secretary-general of the Kuomintang [KMT] Central Committee, reiterated Tuesday that the ruling KMT will under no circumstances change its current democratization program.

The KMT firmly believes that only by implementing democratization can the nation develop further politically and socially, Lee said while meeting with a delegation of the Taiwan Benevolent Association of America.

Some critics have emphasized the increasing number of social dislocations in the wake of the lifting of the emergency decree in July 1987, Lee noted.

"One should not ride a sedan-chair rather than an automobile only for fear of a car accident," Lee said. "We should in no way turn back the cycle of history."

Lee told his guests that at this juncture in time there are some unreasonable social phenomena, which, he said, are the price the nation must pay to implement democratization. "The ruling KMT has the courage and wisdom needed to solve the problems," an optimistic Lee said.

As to the KMT's mainland policy, Lee stressed that no military means will be used to resolve the China issue.

"Instead, we will utilize political measures. We do this not because the KMT wants to replace the Chinese communist regime, but because the KMT hopes all of our compatriots on the mainland will be able to share with us the well-being of democracy, prosperity, and equality."

KMT Central Standing Committee Makes Decisions

June Plenary Meeting Announced

OW0504034489 Taipei CNA in English 1605 GMT
1 Apr 89

[Text] Taipei, April 1 (CNA)—The ruling Kuomintang's [KMT's] Central Committee and Central Advisory Committee will hold their second plenary meetings at the Chungshan Hall in Yangmingshan June 3-5, the KMT Central Standing Committee announced Saturday.

Major topics for the central committee meeting will be:
—strengthening democracy and the rule of law to maintain social stability, protect people's rights, and pursue further national development.
—adopting effective countermeasures to cope with international economic and trade situations and helping domestic industrial and business sectors to tide over their difficulties.
—consolidating the party organization and ensuring a smooth selection of talent in the forthcoming elections.

A preparatory committee has been formed for the Central Committee meeting, with Lee Huan, secretary-general of the KMT Central Committee, as convener.

Election Regulations Passed

OW0504063789 Taipei International Service
in English 0200 GMT 2 Apr 89

[Text] The central Standing Committee on Saturday passed regulations governing the nomination and election of officials for contest to be held in December.

The new regulations simplified procedures for voting and shortened the voting period. Preliminary regulations were passed last week by the central Standing Committee. After seeking input from various sectors of society, the committee held another conference on Saturday to formalize and pass the new regulations.

Nomination of candidates will be held to vote in local party conferences. In addition, the original period of voting, which was 10 days, is now being shortened to 1 day.

The central Standing Committee also passed an article, which says the date for the next gathering of the central parliamentary body, congresses of the Central Committee and central Advisory Committee will be held on June 3d.

The purpose of the meeting will be to discuss how to straighten democratic institution on the island, maintain social stability, guarantee human rights, and continue development of the nation.

In related news, Chairman of the ruling Kuomintang [KMT] and President of the ROC [Republic of China] Li Teng-hui, stated on Saturday that implementation of primary system for election will open up a new page of the democratic movement of the ROC.

Li said that the KMT's determination to institute democratic reforms show the party is responsible to the nation and that it is carrying on the work of democratization. Li made the remarks during Saturday's meeting of the Central Standing Committee. Li said that the decision to implement a primary system for election was come up with after much input from party members. Li noted that the party spirit in promoting democracy should receive the approval of society and the nation is moving toward a more equal, fair, and open system of electing officials.

Government To Set Up News Agency, National Radio
OW0404235289 Taipei CNA in English 1503 GMT
3 Apr 89

[Text] Taipei, April 3 (CNA)—The government will establish a national news agency and a national radio station within a few years, Shaw Yu-ming, director-general of the Government Information Office (GIO), announced Monday.

Shaw made the announcement in reply to legislators Liao Fu-peng and Lai Wan-chung's interpellations at a joint session of the Budget, the Education and the Codification Committees of the Legislative Yuan.

He said that the GIO has met with the Kuomintang-run CENTRAL NEWS AGENCY many times in past years to discuss transforming it into a government-run national news agency within three years.

Shaw also expressed the hope that the government would take over the Overseas Department of the Kuomintang-run Broadcasting Corporation of China (BCC), and expand it into a national radio station in a few years.

Fishermen Claim Contract Breach by Indonesia
OW0704070189 Taipei CNA in English 0237 GMT
7 Apr 89

[Text] Kaohsiung, southern Taiwan, April 7 (CNA)—Fishermen in this port city, together with fishing association officials, will take to the streets to petition for government help to settle their complaints with an Indonesian company.

Association officials said Thursday that 32 fishing boats in southern Taiwan had signed a joint venture contract with Indomina Co. on Oct. 31, 1988 but that the Indonesian partner had broken its word.

Indomina failed to pay salaries to the ROC [Republic of China] fishermen who were commissioned to fish in Indonesian territorial waters, they said. The amount overdue has now reached 18 million new Taiwan dollars (655,000 U.S. dollars), they noted.

Moreover, they reported, the Indonesian company detained the ROC fishing boats after the contract expired some three months after it had been signed.

The detained boats were able to return only after mediation by ROC representative offices in that Southeast Asian country, the officials said.

Following their release from Indonesia, the ROC fishermen requested the help of the Kaohsiung Fishermen's Association to demand that the Indonesian company at least pay them their salaries.

Luo Huan-sung, Indomina's representative in Taiwan, was to announce a date to pay them the money on Thursday after repeated talks between both sides.

But Luo, still uncertain when his company could pay the money, angered negotiators on the ROC side.

Tsai Ting-pang, president of the association, said that his association will fight for its members' rights and interests and thus leave a good lesson for the future.

Lin Ming-fa, an association board member, said the Indonesian company had obviously committed a fraud. "Our association must protest, in addition to resorting to legal means to settle the dispute," Lin said.

Tsai emphasized that if they do not stand tough with the Indonesians, the future of this country's fishery industry will be littered with thorns.

He said if Indomina tries to evade its responsibilities, his association will apply for a permit to demonstrate in front of the Legislative Yuan and the Council of Agriculture offices on April 14.

Joint Japan Goodwill Association Established
*OW0504015289 Taipei CNA in English 1516 GMT
1 Apr 89*

[Text] Tokyo, April 1 (CNA)—The Japan-Republic of China [ROC] goodwill association in Enshu, Shizuoka Prefecture, was established Saturday to promote goodwill and friendship between the two countries.

Some 200 people attended the inaugural meeting at the Hamamatsu Grand Hotel. Shinichi Miwa, a local business leader, was elected president. This association has become the 45th such kind of goodwill association throughout Japan.

Ma Chi-chuang, representative in Japan of the Association of East Asian Relations, delivered a speech at the inaugural meeting.

He reported existing close relations between the two countries in the fields of trade, education, culture and sports, and expressed his appreciations for the friendly people's acts to promote further interchanges between Japan and the ROC.

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